EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,847 | Friday May 19 1989 | D 8523A

US STEEL
A hard-won but fragile prosperity
Page 16

World News

S Koreans protest to mark 1980 uprising

Protests reached a peak in South Korea over the suspicious death of a university student this month in the provincial city of Kwangju, as up to 100,000 students demonstrated to mark the ninth anniversary of the bloody suppression of an uprising there. Page 4

Ethiopian ceasefire

Secessionist rebels in the Ethiopian province of Eritrea have declared a unilateral two-week ceasefire in an attempt to form an alliance with rebellious government troops. Page 4

SA curbs hint

The South African Government has hinted at the possibility of removing the country's three-year state of emergency when it comes up for annual renewal on June 12. Page 4

OAS hits at Noriega

The US expressed satisfaction with a resolution by the Organisation of the American States condemning General Manuel Noriega of Panama and dispatching three Foreign Ministers to persuade him to surrender power. Page 3

Japan FSX fears

Japan has expressed "serious concern" over a US Senate resolution on the FSX fighter agreement that requires reports on progress to be presented to the US Congress, and demanding tighter control over the US contribution. Page 4

Estonian defiance

The Estonian parliament, leading a wave of defiance of central power by the three Soviet Baltic republics, approved a plan to take full control of its economy from Moscow.

Ruder to quit SEC

David Ruder, chairman of the US Securities and Exchange Commission, plan to step down by August. Page 3

UK road spending

Spending on motorways and trunk roads in England and Wales is to be more than doubled under plans announced by Paul Channon, Transport Secretary. Page 7

Storm kills 28

At least 28 people died and almost 60 sailors were reported missing after tropical storm Brenda raged through the Philippines, with winds up to 100 kph (60 mph).

Venezuelan strike

Most of Venezuela's 6.7m workforce stayed at home in a one-day national stoppage to protest at the Government's harsh economic adjustment programme. Page 3

N-orders falling

Czechoslovakia is cutting back its production of nuclear reactors because of falling orders from its Eastern bloc allies after the Chernobyl nuclear disaster.

Poland gets EC aid

The European Community announced it will send Poland $1.5m worth of medicines following a visit to the executive Commission by Solidarity leader Lech Walesa.

Dali returned

Brazilian police have recovered 10 paintings, including works by Salvador Dali and Henri Matisse, which had been stolen from a Rio art gallery earlier this month.

Business Summary

Central banks step in to push dollar lower

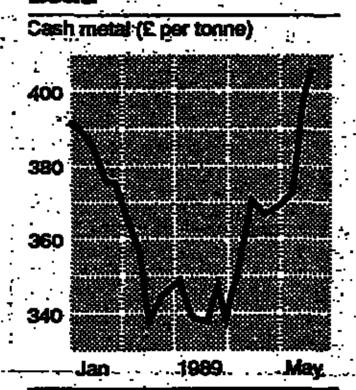
US FEDERAL Reserve system, backed by several European central banks, checked the dollar's rise in European currency trading after a Bundesbank decision not to increase its key interest rates propelled the US currency above DM1.98. Page 18

VEBA, West German energy group, paid more than DM1bn ($526m) for 46 per cent of the industrial conglomerate Feldmühle Nobel in a deal which may represent a breakthrough for shareholder behaviour in the German market. Page 19

LONRHO, British-based mining and trading conglomerate, lost the final round of a court battle aimed at wresting London's luxury department store Harrods from the Egyptian Fayed brothers. Page 6

LEAD prices continued to advance on the LME. Cash metal closed £7 up at £406.50 a tonne, the highest level since December 22. Dealers said steady physical demand and falling warehouse stocks had contributed to current technical tightness. Page 32

Lead
Cash metal (£ per tonne)



NESTLÉ, world's largest food products company, is setting up a joint venture with Fujiya, top Japanese confectionery group. Page 5

VOLVO, Swedish automotive group, announced a 30 per cent increase in its first-quarter operating profit to SKr1.995bn ($299m) from SKr1.54bn a year ago. Page 21

BUSH Administration is to impose tougher fuel economy standards on 1990-model cars despite pleas from Detroit that the measure will cause a loss of jobs without helping the US save energy. Page 3

MAZDA MOTOR, Japanese car maker, is holding talks with its American partner, Ford Motor, on a joint venture in Europe, Mazda's US president said.

ARGYLL of the UK, Royal Ahold in the Netherlands, and Casino in France, leading European food retailers, are moving towards co-operation on a wide range of operational fronts. Page 19

WEST GERMANY'S air traffic control authority will be privatised to make it more efficient and flexible.

WEST EUROPEAN new car sales jumped by 10.4 per cent in April to 1.26m. Sales for the first four months of the year were 7.5 per cent higher than a year earlier. Page 2

GATT: Arthur Dunkel, Director-General of the General Agreement on Tariffs and Trade, warned of the "potential for damage" to the international trade talks posed by a new US trade law. Page 5

ASEA BROWN Boveri, Swiss-Swedish engineering concern, reported a 7 per cent rise in group turnover for the first quarter from $4.1bn to $4.4bn. Page 21

WESTPAC BANKING and National Australia Bank, two of Australia's big three private sector banks, recorded substantial earnings improvements. Page 22

MARKETS

STERLING
New York lunchtime:
$1.6130
London:
$1.6185 (1.6130)
DM3.1825 (same)
FFr10.7625 (10.7800)
SFr2.8450 (same)
Y224.50 (same)
£ Index 94.4 (94.3)

GOLD
New York: Comex Jun
$372
London:
$370.5 (370.25)

N SEA OIL (Argus)
Brent 15-day Jun
$18.10 (+0.05)

Chief price changes yesterday: Page 30

DOLLAR
New York lunchtime:
DM1.9720
FFr6.6725
SFr1.7615
Y138.01
London:
DM1.9665 (1.9730)
FFr6.6500 (6.6825)
SFr1.7570 (1.7640)
Y138.65 (139.25)
$ index 71.3 (same)
Tokyo close: Y138.88

US LUNCHTIME RATES
Fed Funds 9¾%
3-mo Treasury Bills: yield: 8.65%
Long Bond: 100 13/32
yield: 8.79%

STOCK INDICES
FT-SE 100:
2,177.3 (+21.5)
FT Ordinary:
1,810.1 (+17.9)
FT-A All Share:
1,118.29 (+0.9%)
FT-A long gilt yield index high coupon:
9.40 (9.42)
New York lunchtime:
DJ Ind. Av.
2,469.58 (+7.15)
Tokyo: Nikkei
33,856.33 (−136.12)

LONDON MONEY
3-month interbank:
closing 12 13/32% (12 13/16)

SELLING PRICE IN IRELAND 60p, IN MALTA 40c

Peking fails to stem tide of protest as summit ends

By Peter Ellingsen in Peking and Quentin Peel in Shanghai

THE Chinese Government yesterday failed in its latest attempt to defuse the political crisis that has brought Peking and other major cities across the country to a standstill in recent days.

In a preliminary step towards a possible capitulation, Zhao Ziyang, the Communist Party General Secretary, and several members of the ruling Politburo, yesterday visited some of the 2,000 hunger strikers who have been admitted to hospital.

The initiative came as Soviet President Mikhail Gorbachev bade farewell at the end of his historic visit to China – a ceremony eclipsed by a huge new demonstration in the port city of Shanghai.

Prime Minster Li Peng, in a meeting with student leaders, promised political reforms. But the students, who have won massive public support for democratic reforms and an end to corruption, refused to compromise and demanded that negotiations be broadcast live. The talks broke up after Li refused to concede the demand.

He told the student representatives: "Peking in recent days has in my view fallen into a state of anarchy."

"We must defend our factories, we must defend our socialist system. I don't care whether you are happy to hear this or not, I'm glad to have the opportunity to say it," he said.

While peaceful, the eruption of popular protest, particularly given the poor condition of several hunger strikers who are said to be seriously ill, remains potentially explosive. Steel workers have warned they will strike if a student dies.

In Shanghai, tens of thousands of students seized control of the city's waterfront – the famous Bund – protesting against press censorship, bureaucracy and corruption in the ruling party.

Thousands more gathered in People's Square, outside the city council buildings, in support of up to 500 hunger strikers who were following the lead of student hunger strikers in the capital, Peking.

President Gorbachev and his wife, Raisa, departed from Shanghai after what the Soviet leader called a visit of "epoch-making significance." The summit normalised relations between the world's two biggest communist nations and their ruling parties after 30 years of enmity.

A joint Sino-Soviet communique highlighted areas of agreement although it admitted some remaining differences between the two countries. It said that "neither side will seek hegemony of any form" in any part of the world. China, which fought a border was with the Soviets in 1969, has long accused Moscow of trying to dominate weaker nations.

The communiqué, published by the official New China News Agency, also restated Moscow and Peking's differences over Cambodia, where Soviet-backed Vietnamese forces deposed the Chinese-supported Khmer Rouge government in 1979.

The statement repeated China's position that the Vietnamese-backed government should be replaced by a coalition of four rebel factions, including the Khmer Rouge, until elections could be held. The Soviet Union has maintained that interim arrangements should be worked out by

Continued on Page 18
Communiqué, Page 4

Leader of the Peking hunger strikers Wang Wen in the arms of medical helpers before being taken to an ambulance yesterday

Accountants set to form biggest services group

By Richard Waters in London

ERNST & WHINNEY and Arthur Young, the international accountancy and consultancy firms, will today announce a proposed merger which would create the world's largest professional services firm.

The move will be put to a vote of partners in all countries where the firms operate. If successful, it will almost certainly lead to further mergers between members of the accountancy profession's so-called Big Eight, which dominate the international industry.

Details of the merger were agreed by the two firms' international boards last week. However, they were only presented to partners at meetings yesterday afternoon. Around the world the two firms have 6,000 partners and the plan is to ballot them at the end of next month.

Last night both sides said the increasing internationalisation of their clients, and the opening up of Europe, had prompted the merger. Contact was first made between the firms in the US, where they are said by colleagues to have been close for a number of years.

Mr Elwyn Eilledge, international chairman of E&W, said the merged firm, to be known as Ernst & Young, would have "a tremendous geographical split".

E&W is the smallest accountancy group in Europe and will benefit from AY's leading position in a number of European countries. In the UK and US, on the other hand, AY will be the junior partner.

However, there could be problems in some countries, such as Canada, where Clarkson Gordon (the AY firm) and Thorne Riddell (E&W) are the two largest national firms. Mr Eilledge said he believed the combined organisation would not fall foul of anti-trust regulations, but that approaches were being made to regulators in a number of countries.

The relative lack of overlap in the two firms' client bases was also given as a reason for merging, since they would afford strengths in financial services, food and drink and oil and gas. Of these, the strongest would be banking, where the firm would be auditors to 23 per cent of the world's leading banks, and insurance, where it would have a 27 per cent market share.

Members of the Big Eight have discussed mergers between themselves many times during the 1980s, although few plans have ever been put to the vote. The difficulty of persuading large partnerships to agree a merger has often been cited by senior partners as a reason for not proceeding.

In 1984, Price Waterhouse and Deloitte Haskins & Sells proposed a merger which was subsequently thrown out when partners in one leading country, believed to be the UK, rejected the proposals.

In the only successful large merger to date, Peat Marwick absorbed KMG, the ninth largest international firm, two years ago to form KPMG, which is now the world's largest professional firm. That merger was achieved with relatively little fall-out.

The Ernst & Young deal is not dependent on the two firms agreeing to merge in one or more countries. This contrasts with the Price Waterhouse/Deloitte vote and the Peat/KMG deal, which would not have gone ahead if any one of five core countries had failed to agree the merger.

However, a number of senior partners in the US and UK had been sounded out about the proposal before it was agreed at international level last week, suggesting that the two firms are confident of agreement in these territories.

Each organisation claimed similarities in culture yesterday. However, they do not have comparable profitability.

Mr Gordon Anderson, chairman of AY in the UK, said his firm was less profitable than E&W in Britain and that profitability did not match in other countries as well. He said that this would not lead to any partners losing their jobs in a search to bring the two firms on to a similar footing.

Mr Eilledge and Mr Jesse Miles, the chairman of AY, will be co-chairmen of Ernst & Young.

FEE INCOME
Leading accountancy firms 1988

Firm	$m
KPMG	3,900
Arthur Andersen	2,820
Coopers & Lybrand	2,500
Price Waterhouse	2,218
Ernst & Whinney	2,191
Arthur Young	2,053
Deloitte Haskins & Sells	1,921
Touche Ross	1,840

G-7 agreement on Brady debt plan

By Stephen Fidler, Euromarkets Correspondent, in London

A CONTROVERSIAL element of a US initiative to reduce Third World debt burdens has finally been agreed by officials from the Group of Seven industrialised countries. As a result, the International Monetary Fund and the World Bank will be able to provide finance to cut debtor countries' interest payments.

The agreement in principle by the G-7 deputies would for the first time allow the two sister institutions to provide finance to assure bank creditors that they will receive interest payments from problem debtor countries.

The finance would be aimed at encouraging banks to swap existing loans for low-interest bonds, thereby helping to reduce the huge outflows of resources from debtor countries for interest payments.

The US debt initiative, launched on March 10 by Mr Nicholas Brady, the US Treasury Secretary, called for the use of World Bank and IMF resources to accelerate debt and debt service reduction.

At the spring meetings of the IMF and the World Bank in April, the shareholders of the institutions, which are dominated by the G-7, agreed that their existing resources could be used to buy back loans or to collateralise principal.

However, objections by some governments, including Britain and West Germany, held up agreement over using extra resources for interest support, pending further study. They were worried that it would become an open-ended commitment which would entail the assumption by the public sector of commercial bank debts.

The agreement by G-7 means that the UK Government has swallowed its reservations to allow the initiative to move ahead in a specific case. Mexico is now negotiating with its bank creditors on what will probably be the first deal to incorporate the Brady ideas.

Details of how interest support will work have not been finalised and the two institutions have not yet been provided with guidelines. The US and the IMF have both been working on the assumption that 40 per cent of a country's quota, or shareholding position, with the IMF could be used for interest support and that an equivalent amount would be available from the World Bank.

The chairman of Barclays Bank, Mr John Quinton, said yesterday he expected to raise the bank's provisions on its loans to Argentina saying that the economic situation in large debtor nations had deteriorated in recent months.

Interest support deal, Page 3

GFW sells 30% Ranks stake to investor group for £415m

By Nikki Tait in London and Chris Sherwell in Canberra

GOODMAN Fielder Wattie, the Australasian food group facing a £1.3bn ($2.1bn) bid from Ranks Hovis McDougall, the UK foods group, yesterday sold its near 30 per cent stake in RHM to a company controlled by Sir James Goldsmith, Mr Jacob Rothschild and Australia's Mr Kerry Packer.

The deal comes barely two months after Sir James announced plans to return to the UK corporate acquisition trail in tandem with Mr Rothschild. The 103.7m RHM shares were acquired at 400p each, costing the purchaser – a company called Sunningdale Holdings – £415m.

The disposal is the latest twist in a three-year battle between the two groups. Goodman first acquired a 10.5 per cent stake in RHM in 1986. Just under a year ago, having raised this to 29.9 per cent, it launched a highly leveraged £1.7bn bid for the UK group, which includes Mothers Pride, Mr Kipling cakes and Bisto and Paxo stuffing among its brands.

That bid lapsed after being referred to the Monopolies and Mergers Commission, but attempts by Goodman to auction its RHM holding last autumn found no satisfactory takers. Then, amid some speculation that the Australasian company could be planning a new assault this summer, RHM turned the tables with a £1.3bn bid for Goodman itself.

Yesterday, no decision had been taken by RHM on whether the offer for Goodman would proceed.

In London, the new investors remained coy about their intentions towards RHM. Mr Rothschild would say only that they had "admired RHM", but felt that the acquisition of Goodman Fielder Wattie would be a "strategic mistake."

Sunningdale went on to make clear that it would vote against any resolution put to shareholders approving the Goodman acquisition. This will be necessary if RHM wishes to continue with the bid. Yesterday – given this stance and the recent heavy trading in RHM shares – analysts tended to believe that the bid would be aborted.

Goodman has also agreed to pay a further £52m to Sunningdale if RHM becomes unconditionally entitled to 35 per cent or more of Goodman's equity by the time the UK group's offer closes.

Sunningdale is controlled by General Oriental Investments, Sir James Goldsmith's quoted vehicle: J. Rothschild Holdings and RIT Capital Partners, which are two quoted companies in the Rothschild stable; associates of JRH; Paribas and associates; and CP Investment (Singapore), a subsidiary of Mr Kerry Packer's Consolidated Press Holdings.

It is anticipated that Sir James will eventually become the largest shareholder in Sunningdale with an effective 35 per cent stake.

CONTENTS

Britain and Europe: Thatcher finds the perfect enemy

Mrs Thatcher is fighting what she sees as a sinister Brussels conspiracy to impose corporatist and Marxist principles on Britain. But the enemy is largely a figment of her imagination.
Page 17

Nato welcomes Warsaw Pact arms figures

By Judy Dempsey in Vienna

NATO diplomats yesterday gave a cautious welcome to the Warsaw Pact's formal presentation of its ceiling figures at the negotiations on Conventional Forces in Europe (CFE) in Vienna.

The figures, which Nato has been waiting for since March, when it tabled its own proposals, were announced last week in Moscow. But yesterday was the first opportunity for Nato to question them.

The Warsaw Pact ceilings reflect the overall total number of weapons in five categories which should not be exceeded after reductions have been completed. These include tanks, armoured troop carriers, artillery, helicopters, aircraft and troops.

Nato diplomats said the narrow ceiling differences between both sides in tanks and armoured troop carriers posed few problems, but questioned why the presentation put artillery levels considerably higher on the Warsaw Pact side. Despite this, they welcomed the opportunity to negotiate on artillery at 100mm calibre or above.

"This shows that the Pact is serious about equipment which is potentially destabilising," a senior Nato diplomat said.

The CFE talks aim at achieving stability and security in Europe through the establishment of a secure and stable balance of conventional forces at lower levels.

But Nato yesterday seemed more anxious to clarify in greater detail in which geographical regions the Warsaw Pact ceilings would apply.

In its March proposals, Nato referred to the concept of "sufficiency", whereby no one country could retain more than 30 per cent of the overall limits in three categories. These are main battle tanks, artillery and armoured troop carriers.

Yesterday, the Warsaw Pact declined to break down its ceiling levels in response to the Nato's proposals. Nor has the Pact given any figures related to the number of stationed forces either side can deploy.

In addition, Nato specifically outlined sub-limits which involve groupings of countries not exceeding certain levels after reductions have taken place.

"We have received no answers or clarifications on any of these points. They said they would soon come up with answers," a Nato military expert said.

Finally, in what is regarded as a potential area for sharp disagreement, Nato yesterday continued to reject a Warsaw Pact proposal that would include aircraft in any first reduction phase.

OECD puts forward fresh code on capital movements

By Ian Davidson in Paris

IMPORTANT new commitments to liberalise capital movements and financial services have been undertaken by the 24 industrialised member countries of the Organisation for Economic Co-operation and Development.

The agreement, which has taken five years to negotiate, substantially extends the existing level of liberalisation undertaken collectively by OECD countries.

The OECD codes covering capital movements will in future be comprehensive, according to OECD officials.

The coverage of banking and financial services will be complete, and the new codes of liberalisation will for the first time include a number of sectors previously exempt. These are:

- Short-term capital movements, such as money market transactions, as well as operations in forward markets, swaps, options and other innovative financial instruments;
- Cross-border services, including underwriting, broker/dealer services, and portfolio management;
- The establishment of foreign-owned branches, whose authorisation will in future be subjected only to equivalent criteria as domestic institutions;
- Certain governmental measures designed to discourage capital movements, such as discriminatory taxes, interest rate penalties or non-interest-bearing deposit requirements.

The new undertakings will take the form of amendments to the two existing codes on capital movements and current invisible operations.

The codes have the legal status of OECD decisions and are thus binding on all member states.

They will come into effect in a year.

UK pledges to block proposals for EC-wide language teaching

By William Dawkins in Brussels

TENSIONS between Britain and the European Commission deepened yesterday when the UK promised to block a scheme to boost foreign language teaching at an EC Ministerial meeting to be held on Monday, unless big changes are made.

Mr Kenneth Baker, the UK Education Secretary, will refuse to accept parts of the Commission's Ecu 250m ($230m) plan to promote foreign language education on the grounds that the Treaty of Rome – the EC's constitution – does not cover school education. He will be in a minority of two with Mr Jürgen Möllemann, Bonn's Education Minister, who sees the scheme as an equally serious threat to the sovereignty of West Germany's regional governments, which have exclusive control over education.

This is the latest of several UK protests over the Brussels authorities' use of their powers, following recent rows over EC-wide cigarette health warnings, Commission plans for a European pensioners' identification card, and a scheme for boosting links between university and industry, now the subject of a court action by the British Government.

The language scheme, entitled Lingua, was tabled by the Commission last December and, unlike the cigarette labelling rules, needs member states' unanimous support to take effect. It would subsidise teacher training and pay for young people to visit foreign schools and universities to learn other EC languages.

Britain and Germany are happy with the nearly 90 per cent of Lingua's budget – Ecu220m – proposed for higher education students and company employees, because the EC Treaty does cover vocational training, which they take to mean higher education. But they could accept the scheme only if Brussels dropped the remaining Ecu30m proposed for school pupils.

The Spanish Government, current EC President, has drafted a compromise, providing an option for dropping schools from the programme. But nine member states – all except the UK, Germany and Denmark – have insisted that the scheme should be kept intact.

Commission officials are astonished at London's opposition because they believe British youth could be prime beneficiaries of the plan. Only 30 per cent of British 15 to 24-year-olds can speak a foreign language, the lowest in the EC, according to a recent Commission survey.

PLO 'ready to sign' Geneva human rights conventions

By William Dullforce in Geneva

THE PALESTINE Liberation Organisation, pursuing its campaign for wider international recognition of the newly declared state of Palestine, yesterday formally declared its readiness to sign the Geneva conventions on human rights in times of war.

The Palestinians' move comes less than a week after the World Health Organisation decided to defer by one year consideration of their application for membership.

Their latest step poses a dilemma for Switzerland which is the official custodian of the four Geneva conventions of 1949 and the two additional protocols of 1977.

Designed to safeguard respect for human beings during armed conflict, the conventions underpin the work of the International Committee of the Red Cross.

Switzerland was one of the 10 countries which tabled in the WHO assembly last week the resolution calling for deferment of the Palestinian application.

Mr Nabil Ramlawi, head of the Palestinian delegation to the United Nations in Geneva, yesterday presented the Swiss foreign ministry in Berne with a "notification of the accession of the state of Palestine" to the Geneva conventions and protocols.

He said he expected the notification to be circulated by the Swiss to all other signatories "in accordance with the rules of the conventions."

A new signatory automatically becomes a party to the conventions once its notification has been circulated to the other signatories.

The criteria governing circulation are that the new signatory is recognised by a substantial section of the international community and that it is a member of a regional organisation.

Yeltsin 'trusts' Ligachev claim

By Bruce Clark in Moscow

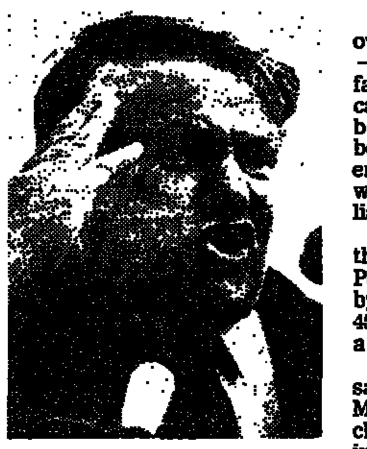
MR BORIS YELTSIN, effectively leader of a pro-reform movement within the Soviet Communist party, said yesterday that he trusted a prosecutor who linked the name of Mr Yegor Ligachev, the Politburo hard-liner with a corruption probe.

"I believe them," Mr Yeltsin told the Financial Times, when asked his opinion of Mr Nikolai Ivanov – the man who named Mr Ligachev – and of fellow-prosecutor Mr Telman Gdlyan.

Mr Ivanov said on television last week that Mr Ligachev's name had emerged in the course of an inquiry into high-level malpractice.

Meanwhile, the foreign ministry issued a new version of Mr Ligachev's furious denial of the prosecutor's insinuations, using even stronger language than before.

He denounced Mr Ivanov's remarks as "a provocation, slander and malicious invention."



Boris Yeltsin

The former Politburo member Mr Mikhail Solomentsev, also named by Mr Ivanov, accused the prosecutor of a "vile and downright base lie."

The mounting controversy over Mr Ivanov and Mr Gdlyan – both said by liberals to be facing a conservative smear campaign – has become a symbol of the wider struggle betwen hardliners and reformers ahead of the opening next week of the newly elected Parliament.

It remains unclear how long the 2,250 member Congress of People's Deputies will sit, and by what procedure it will elect 450 of its members to serve as a standing parliament.

Mr Yeltsin, in a brief conversation before a meeting of Moscow deputies and party chiefs, said he based his trust in the two prosecutors on the fact that he had "observed them over a long period in their investigations in Uzbekistan and in Moscow."

Both prosecutors helped to uncover a scandal in Uzbekistan in which the son-in-law of Mr Leonid Brezhnev was implicated.

Thatcher attacks social charter

By Philip Stephens in London

MRS Margaret Thatcher, the British Prime Minister, yesterday labelled the European Commission's proposals for a social dimension to the creation of a single market as a "socialist charter" and renewed her attack on plans for closer monetary integration.

Her statement, in the House of Commons, appeared as a setback to intense efforts by the Foreign Office and by senior ministers to persuade the Prime Minister to soften her attacks on Brussels in the run up to next month's European elections. Sir Geoffrey Howe, the Foreign Secretary, is said to be among a number of ministers seeking to persuade Mrs Thatcher to put a positive gloss on the Conservative Party's attitude to Europe when she launches its election manifesto on Monday. The Prime Minister, however, has signalled her determination to stick to her tough stance by telling Mr Kenneth Baker, the Education Secretary, to travel to Brussels on Monday to oppose plans for a Community-wide foreign language scheme.

In a reaffirmation of her intention to oppose the moves at next month's European Community summit in Madrid, Mrs Thatcher said that both the Commission's social charter and the proposals for monetary union contained in the Delors report would require unaminmous approval of member states. Britain would reject them and expected significant support in doing so from other heads of state, she said.

Her comments came as divisions among Conservative MPs over Europe continued to widen. Mr Michael Heseltine, the former defence minister, warned in the Commons that the future of British industry would be "devastated" if the Government did not play an enthusiastic role in fostering closer co-operation.

Downing Street meanwhile dismissed suggestions that Mrs Thatcher may now be ready to set a firm timetable for full British membership of the European Monetary System.

Both Mr Nigel Lawson, the Chancellor, and Sir Geoffrey have been urging for such a change and Conservative Party managers have reported intense pressure among Conservative MPs for a statement of intent at Madrid.

Mrs Thatcher's view, however, appears to be that she is not prepared to be "bounced" either by the Foreign Office or by the Treasury into abandoning her objections to taking sterling into the exchange rate mechanism.

She makes clear in an interview published in today's Daily Mail that she considers that controversy over the EMS is a distraction from the government's main task of tackling inflation.

Vehicle makers surprised as sales accelerate

By Kevin Done, Motor Industry Correspondent

NEW car sales in West Europe jumped by 10.4 per cent in April to 1.26m. Sales for the first four months of the year were 7.5 per cent higher than a year earlier, at 4.89m.

European car makers have been taken by surprise by the continuing strength of demand following four successive years of record sales, and are having to revise upwards their sales forecasts for the full year.

Following increases in each of the first four months of the year, the industry is becoming confident that sales in 1989 could exceed last year's record level of 12.97m units, even if demand weakens in the second half.

According to industry estimates, new car registrations last month were higher than a year earlier in 13 of 17 West European markets, with sales rising in all five big volume markets – West Germany, Italy, the UK, France and Spain. Sales declined in only four markets, Sweden, Norway, Finland and Portugal.

In April, new car registrations in West Germany were an estimated 6.5 per cent higher than a year earlier, while sales surged by 21.3 per cent in Italy, by 15.3 per cent in the UK, 9.4 per cent in France and 22.7 per cent in Spain.

The surge in European car sales last month was led by Renault of France, the Volkswagen group of West Germany, which includes Audi and Seat, and General Motors of the US through its European subsidiaries Opel and Vauxhall.

In the first four months the Peugeot group of France (which includes Citröen), GM (Opel/Vauxhall), Renault and Volkswagen have all gained market share among the big six volume car makers, while Fiat and Ford have marginally lost ground.

The biggest losers have been the Rover group of the UK and Mercedes-Benz of West Germany. Rover's sales volume across Europe has declined by an estimated 7.2 per cent in the first four months of the year cutting its European market share to only 3.0 per cent from 3.5 per cent a year earlier.

Mercedes-Benz, which has been hit by plunging sales of diesel cars in West Germany, has suffered an estimated drop of 5.4 per cent in its West European sales volume. By contrast BMW, its domestic rival, has increased its West European sales by 22.5 per cent in the first four months, helped by the successful launch of its new generation 5 series.

Volkswagen was the European market leader in April, ousting Fiat of Italy, which includes Lancia and Alfa Romeo and led the European sales league in each of the first three months of the year.

For the first four months combined Fiat was the top-selling European car maker with a market share of 15.3 per cent, compared with 14.5 per cent for the Volkswagen group and 13.4 per cent for the Peugeot group.

The early lead taken by Fiat ahead of VW was smaller at the end of April than at the same stage a year ago, however, when the Italian car maker was narrowly overhauled by Volkswagen in a photo finish at the end of the year.

The VW group has led the European car sales league for the last four years.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-April 1989

	Volume (Units)	Volume Change(%)	Share (%) Jan-Apr 89	Share (%) Jan-Apr 88
TOTAL MARKET	4,888,000	+7.5	100.0	100.0
MANUFACTURERS:				
Fiat (incl. Lancia & Alfa Romeo)	750,000	+6.2	15.3	15.5
Volkswagen (incl. Audi and Seat)	708,000	+9.5	14.5	14.2
Peugeot (including Citroen)	654,000	+12.7	13.4	12.8
Ford	550,422	+6.9	11.3	11.3
General Motors (Opel, Vauxhall)	535,000	+11.5	10.9	10.8
Renault	517,000	+9.9	10.6	10.4
Mercedes-Benz	155,000	−5.4	3.2	3.6
Austin Rover	146,000	−7.2	3.0	3.5
BMW	141,000	+22.5	2.9	2.5
Nissan	138,000	+9.9	2.8	2.8
Toyota	118,000	−3.3	2.4	2.6
Volvo	100,000	+4.0	2.0	2.1
Total Japanese	509,000	+2.8	10.4	10.9
MARKETS:				
West Germany	1,011,000	+7.4	20.7	20.7
Italy	895,000	+8.9	18.3	18.1
United Kingdom	822,000	+9.6	16.8	16.5
France	792,000	+9.0	16.2	16.0
Spain	388,000	+12.9	7.9	7.6

Source : Industry estimates

Opening the gates of Europe's car market

Will Dawkins on a contentious Brussels proposal to let in more Japanese vehicles

THERE is one prize that Mr Martin Bangemann, the new European Commissioner for the Internal Market and Industry, wants more than anything in the world. It is to break down the protective quotas and technical and tax barriers that have traditionally insulated the EC's largest car industries from Japan and are possibly the biggest omission in the Community's single market plan.

This politically dangerous project has defeated all his predecessors and he now faces difficult negotiations with some of his Commission colleagues, not to mention several unwilling EC governments, to bring it nearer to fruition.

The outspoken German liberal presented the outlines of his plan for a free car market – in the Commission's name – to a stunned meeting of EC Industry Ministers in north Spain last month.

He is now struggling to get the divided members of the 17-strong Brussels executive to adopt the plan as official policy so it can be presented to EC governments, who are even more deeply split.

At one extreme, France, Italy and Spain insist that their volume car makers badly need more time to build their tiny share of Japanese sales and to improve productivity before opening their own markets.

Ranged against them are the northern liberals such as West Germany, Britain, Denmark and the Netherlands.

Mr Bangemann's final ideas are contained in a confidential paper, endorsed by Mr Frans Andriessen, the veteran External Affairs Commissioner, and Sir Leon Brittan, in charge of competition policy – a trio developing into a free market alliance of a kind that never existed in the previous Commission.

They have yet to persuade their French and Italian colleagues, who appear more sympathetic to the demands of most car producers for a transitional EC-wide import quota on the way to liberalisation.

How they resolve their differences over the next few weeks will be an important test for the new Commission.

The paper's four main points are:

- To phase out by the end of 1992 the bilateral import quotas now restricting Japanese car sales in France, Italy, Britain, Spain and Portugal, which together produced 60 per cent of the 12.2m cars made in the EC last year.

A timetable must be agreed by the end of this year, so the process can begin early in 1990, to give EC car producers maximum time to adjust, says the paper. From early 1993, Japan would be asked to monitor its EC exports, 9.6 per cent of the Community's 13.2m car registrations in 1988, "for a clearly limited and fixed period", to be followed by complete market freedom.

While this clearly shows "Europe's will to be a partner rather than a fortress", the paper warns: "It should be emphasised that the Community's willingness to be open must be clearly reciprocated by the conduct of international trade in fair conditions, as controlled by anti-dumping regulations."

- To make it possible for cars to obtain a single EC-wide technical approval for the first time. This process was started in 1970, with a plan for 44 voluntary technical directives covering all aspects of car design, of which 41 have been adopted by member states. But it was blocked by France 12 years ago because of fears that Japan would be the first to benefit.

The remaining three, covering windscreens, tyres and towing weights, should be tabled by the Commission at the end of the year for subsequent adoption by EC governments, says the paper. Proposals would follow early in 1990 to make the whole lot mandatory – again subject to member states' approval – so that differing national requirements could no longer co-exist alongside EC ones.

- Reduce national disparities in value added tax and other kinds of car tax. This could mean pulling cars out of the Commission's indirect tax proposals, which are making slow headway in the Council of Ministers, suggests the paper. The Commission would take direct action to ban or cut additional purchase and registration taxes such as those charged in Greece and Denmark.
- A promise that there will be no specific local content rules to be observed by EC-assembled Japanese cars as a condition for investment or for access to the Community market. This has already annoyed France and Italy, following their abortive attempts to restrict the sale of British-made Nissans.

The paper adds that car industry investments must continue to be governed by strict controls on state aid, whatever the nationality of the company. This has offended the West German states' sensitivities over the EC's erosion of their sovereignty.

Mr Bangemann has had to work fast, since taking his job in January, partly to pick up on the previous Commission's failure to overcome its internal divisions to launch a similar plan at the end of last year. He says the present strength in car demand provides an ideal moment for liberalisation.

EC car registrations rose by nearly 5 per cent in 1988, capping three years of strong growth, which many experts reckon will soon end. Annual growth of 1-2 per cent is the best European carmakers can hope for in the long term, estimates the Commission.

And despite this good fortune, they are still way behind in productivity, a reflection of the insulation fo the market, economic liberals say. According to Mr Bangemann, European plants take on average 36 man-hours to make a car, as against 19 for their Japanese competitors or 26.5 for the US.

The French, Italian and Spanish car producers and their governments argue that a strong defensive industrial policy is needed for this strategically important sector, which directly provides 8 per cent of EC manufacturing jobs. France says it would be folly to open the Community car market until a clear quota system has brought trade with Japan much closer to balance than now. Japan sold 1.1m cars to the EC last year, 10 times more than the 110,000 EC vehicles sold in Japan, according to the Commission's own estimates.

"Community quotas should be fixed and their amounts negotiated," said Mr Roger Fauroux, the French Trade and Industry Minister, on hearing of Mr Bangemann's paper, which he dismissed as "unacceptable". West Germany takes a more liberal line because it dominates its EC partners on the Japanese market, but that could change as Japan makes greater inroads

Making a crisis out of a drama

By John Wyles in Rome

LEADERS of Italy's coalition parties look likely to resort to their most favoured and timeless entertainment, the political "crisis", in an attempt to capture voter interest in the run-up to next month's European elections.

In a country where voting even for school boards is invested with party political importance, the European elections have emerged as a crucial date which will determine the tenor of relations among the five governing parties over the next 12 months. But they also pose a difficult problem for the parties: how to conjure a competitive campaign out of the almost stifling Italian consensus that the EC embodies all things that are good.

Several top politicians have been silently wrestling with this problem for weeks, during which time it has been generally assumed that the next political "crisis" which may nor not unseat Mr Ciriaco De Mita, the Christian Democrat Prime Minister for the past 13 months, would be triggered by the election results.

But now the temptation to grab public attention through a domestic political squabble looks irresistible. Having listened to Mr Bettino Craxi, the Socialist leader, attack the "confusion" and "non-performances" of his government last weekend, an increasingly bad-tempered Mr De Mita declared on Monday that "la commedia e finita": the comedy is ended.

The party leaders are expected to meet next week for an examination of the coalition's ailments and a discussion of possible policy prescriptions. Then, Mr Craxi is likely to insist that the Socialists will only agree to a revival if the coalition is committed to introducing consultative referenda and, possibly, electoral reform.

At this stage, this detail is unimportant. For Mr Craxi, the main thing will be to ensure disagreement, a crisis and a platform of institutional reform upon which the European elections can be fought.

Church may move against Mafia

By John Wyles in Rome

THE Roman Catholic Church in Italy is considering imposing its ultimate sanction of automatic excommunication on all leaders of the nation's three main manifestations of organised crime – the Sicilian Mafia, the Neapolitan Camorra and the Calabrian 'Ndrangheta.

The announcement was immediately welcomed yesterday by Mr Leoluca Orlando, the controversial mayor of Palermo whose political reputation has been made as the Christian Democrat Saint George battling against the Mafia dragon.

Italian bishops, he said, were underlining the need for a stronger commitment against the Mafia at a time when fine words were not being backed up by concrete action.

The Church's proposal has been discussed by the Italian Bishops Conference meeting in the Vatican this week and may be confirmed in a document "the Italian Church and the South" which is due to be published in October.

Cardinal Michele Giordano, the Archbishop of Naples, was reported yesterday as saying that the aim would be "to outlaw the Mafia phenomenon and to strengthen the conscience of those who are fighting it."

The initiative can do no harm to the Church's standing at a time when there is a more than ordinary tide of controversy running on two sensitive Church-State issues: legalised abortion and the teaching of religion in schools.

Moreover, it would confirm the removal of any lingering ambiguities about the Church's attitude to the Mafia, which, in the 1950s, certain lowly clergymen and at least one senior cardinal appeared to regard benignly.

The story has entered Italian folklore of how the Sicilian Cardinal Ernesto Ruffini told Pius XII that all was well on his native island and that the Mafia "is a communist invention."

In fact, the Sicilian bishops did impose automatic excommunication on all mafiosi during the 1950s and pronounced that their family christenings and confirmations would be invalid

No one knows how many drug traffickers and killers may consider themselves practising Catholics nor whether any would be the least deterred by a general policy of excommunication. The possibility of ultimate forgiveness is not, of course, ever lost since genuine Christian repentance could revoke the canonical sanction.

W German business tax 'not too high'

By David Goodhart in Bonn

WEST German business does not carry a higher tax burden than most other big industrial countries, according to an analysis by the DIW German Institute for Economic Research, for the Economics Ministry in Bonn.

The report, leaked to the Süddeutsche Zeitung, has upset business organisations – which claim that total profits tax is 70 per cent – and the government.

Next year the nominal profit tax level will be cut slightly to 66 per cent but the government had been hoping to make a cut in corporate tax a part of its economic programme for next year's election. Last month it announced a commission to examine the issue.

The DIW, one of the respected group of five economic institutes, says income from direct corporate tax is equivalent to only 2 per cent of GNP, which leaves Germany at the lower end of the international table and far below Japan, where it is 5 per cent.

DIW also says Germany's generous tax write-off and depreciation conditions, and the possibility of hiding profits in special provisions, bring the effective tax level close to the international norm. However the report does recognise that there can be significant differences between sectors and that there are still grounds for reforming small business tax.

German businessmen are divided on the importance of corporate tax reform. The main business organisations all support a sharp reduction but are divided on the best route. High nominal tax levels are thought to act as a significant disincentive to inward investment, as the counter-balancing tax advantages of the German system are less apparent to foreign investors.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societats-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

OAS resolution on Panama wins US approval

By Lionel Barber in Washington

THE US yesterday expressed satisfaction with a resolution by the Organisation of the American States condemning General Manuel Noriega of Panama and dispatching three Foreign Ministers to persuade him to surrender power.

The ministers, from Ecuador, Trinidad and Tobago and Guatemala, will leave soon for Panama and are due to report back within 15 days to the OAS, which will then consider further moves.

The OAS resolution – while ambiguous in key points – strengthens regional diplomatic efforts against Gen Noriega and shifts the spotlight away from the Panamanian opposition, some of whose leaders have been badly beaten by the general's supporters.

The resolution was passed by 20 votes to 2, with seven abstentions and Nicaragua and Panama voicing opposition. It calls for efforts to reach a national accord "that can bring about, through democratic mechanisms, a transfer of power in the shortest possible time, and with full respect for the sovereign will of the Panamania people."

This avoids recognising the victory claimed by the Panamanian opposition in the recent presidential elections annulled last week by the Noriega regime, and it raises the possibility of another election. Mexico and Brazil voiced opposition to the OAS passing judgment on the election result, saying it would amount to intervention in the affairs of another state.

The special foreign ministers, conference at the OAS is only the second to be held in the 1980s. The delegation to Panama will be headed by Mr Diego Cordovez of Ecuador, who helped negotiate the Soviet troop withdrawal from Afghanistan.

The US has decided to use the OAS as the principal forum for its diplomatic effort, but officials noted that the resolution contained strong language against "unilateral moves" – code for US military intervention in Panama. Mr Guillermo Larco, Peru's Foreign Minister, spoke in a similar vein at Wednesday night's session – to the irritation of the US.

Ruder to step down as SEC chairman

By Janet Bush in New York

MR David Ruder, chairman of the Securities and Exchange Commission, yesterday informed President George Bush that he planned to step down by August and resume his teaching career at Chicago's Northwestern University.

Mr Ruder, who took over as SEC chairman only two months before the October 19 1987 stock market crash, gave no reason for his decision in his letter to the President.

There has been speculation about Mr Ruder's future ever since the election last November – an incoming President has the prerogative of making his own appointment at the SEC and usually does. It is not known what the Administration's attitude was about keeping Mr Ruder in the post, but an SEC spokeswoman warned against interpreting his decision as evidence that President Bush was leaning against reappointment.

Mr Ruder's relatively short term of office is not without precedent. Mr Joseph P. Kenneday, the first chairman of the SEC, held the office for less than a year, from July 1934 to September 1935.

Mr Ruder, a prominent academic in the securities field, has by any standard had a challenging tenure. On Black Monday, he was widely criticised for adding to the sense of panic by discussing with reporters the possibility of a short trading halt.

His fight for stock index futures to be regulated by the SEC failed and his support of significant rule changes to protect the financial markets from another crash was only partially successful in the context of a resolutely free-market Reagan Administration.

Mr Ruder is widely acknowledged, however, to have been a hard-working, activist SEC chairman who has, on many occasions, propounded his views with an aggression not expected of an academic in the face of opposition from the Administration, rival regulators and even his own Commissioners.

Interest support deal paves way for precision

Stephen Fidler reports on G7 agreement over a key element of the Brady plan

WITHOUT agreement by the Group of Seven to allow the International Monetary Fund and World Bank to devote extra resources to support interest payments by debtor countries to commercial banks, the chances of success for the US Third World debt initiative launched in March would have been slight indeed.

The use of existing resources to help countries reduce debt principal was agreed upon in early April. This would involve using funds either to buy back old loans from banks at a discount to face value, or to use as collateral for new bonds which would be exchanged for old loans at below face value.

However, the more controversial element of the initiative – helping countries to reduce debt servicing burdens by providing extra support for interest payments – was left for further study. This reflected the strong misgivings of some European governments, voiced most loudly by Mr Nigel Lawson, the UK Chancellor of the Exchequer.

The Europeans will no doubt see their intervention as having accomplished a much-needed scaling down of expectations in debtor nations following the ideas announced by Mr Nicholas Brady, the US Treasury Secretary, on March 10.

Nicholas Brady: extra impetus for debt proposals

The decision eventually to give their blessing to limited interest support reflects a pragmatic view that the debt strategy did need a fresh impetus and, without some extra resources, the initiative would not amount to much at all.

Their agreement on interest support will not entirely remove doubts about the new strategy's likely effectiveness in making significant inroads into debt burdens. But it does pave the way for more precision in Mexico's current negotiations with bank creditors over a deal likely to provide the model for the Brady proposals in action.

The expected figure for the extra IMF resources to be devoted to interest reduction is equivalent to 40 per cent of a debtor country's fund quota, with the World Bank devoting a similar amount. Resources for debt principal reduction were expected to amount to 25-30 per cent of existing standby or extended credits in the case of IMF, or a similar percentage of the World Bank's so-called structural adjustment loans.

For the World Bank such loans account for a quarter of all the World Bank lending, but 35 to 40 per cent of the loans to the largest problem debtors.

How much does this imply for Mexico?

Given IMF extended credits to Mexico of \$3.6bn (with a further \$500m to compensate for a fall in oil prices), some \$1.2bn could be available over three years to finance debt reduction. Forty per cent of its \$1.17bn quota would equal \$468m. Assuming equivalence from the World Bank, the amount of support from the international financial institutions (IFIs) for debt and debt service reduction would thus amount to nearly \$3.4bn. That could be supplemented by other funds, but the only source to have so far declared itself has been the Japanese government.

That is not large when set against Mexico's total foreign debt of \$102bn, of which some \$70bn is owed to foreign banks and \$18bn to those in the US.

It is being argued by some western officials that the amounts devoted to interest or principal reduction should be approached very flexibly, on a country-by-country basis. However, other governments would prefer a more rigid approach which divides the two pools of funds.

Financially, there is little difference to banks whether the support from the IFIs comes in the form of debt or principal. Instead, they will look at is the present value of that support.

Based on discussions between banks and top G7 officials in New York on Monday, many commercial banks would prefer to take on low-interest bonds rather than reduced principal securities.

Cutting interest payments has much more immediate impact on the resource outflows of debtor countries, but the idea fits bankers' requirements for several reasons. It allows them more flexibility: if the countries' economic situation improves, the interest rate can be raised. US banks, for example, should also benefit from a kinder accounting treatment than in the case of principal reduction.

There is still a view, held by some US officials, that banks should be seen to take losses on their Third World loans to reinforce the point that there has been no public sector bail-out of the banks.

Finally, interest support is a significant issue for the IMF and World Bank. This is one element of the Brady initiative that some believe will embroil the institutions in undesirable squabbles between debtor nations and bank creditors. Despite the stated intentions, they fear it will change the nature of the institutions and lead them into underwriting the future of many debtor countries to the exclusion of private creditors.

Menem and Alfonsín fail to agree on joint rule

By Gary Mead in Buenos Aires

PRESIDENT Raúl Alfonsín of Argentina yesterday met Mr Carlos Menem, the president-elect, who is to take office on December 10 this year. Their brief meeting did not end in an agreement for co-government during the next six months, as had been predicted in some quarters.

After the meeting Mr Menem, who will become the first Perónist president since Isabel Perón was overthrown by a military junta in 1976, reiterated his intention of remaining governor of La Rioja province until December.

However, Mr Menem indicated that he had agreed with President Alfonsín on the need to reformulate this year's national budget. He said that military issues had not formed any part of their discussions.

Mr Menem added that he and the president had agreed to send a joint team to the US "in order to try to reach an understanding with creditor banks." Argentina has a foreign debt of \$60bn, and although it is \$3bn in arrears with interest payments, has unsuccessfully tried to obtain fresh loans from the International Monetary Fund and foreign banks for more than a year.

Argentina is facing a fiscal deficit crisis, with treasury monthly revenues now sufficient for less than 40 per cent of spending. Uncontrolled public spending has been the root cause of the country's blocked negotiations with foreign creditors.

Collapsed confidence in the local currency, the austral, continued yesterday as it slid further against the US dollar, trading at 150 australs to the dollar, compared with a January figure of 17 australs to the dollar.

Today, government and Perónist Party representatives are due to meet to discuss who will form the US delegation, when it will travel and what will be its central concerns.

Strike brings Venezuela to standstill

By Joe Mann in Caracas

MOST OF Venezuela's workforce of 6.7m stayed at home yesterday as the country's largest labour organisation, the Federation of Venezuelan Workers (CTV), staged a one-day national work stoppage to protest at the harsh economic adjustment programme announced by the government in mid-February.

Most industries, stores and government offices were closed and public transport was shut down during the course of the 6am to 6pm strike.

Some employees went to work to keep industrial plants and public services running, but domestic and international airline flights were cancelled or rescheduled for after the 6pm deadline.

Shareholders join protesters attacking Exxon over spill

SHAREHOLDERS joined protesters yesterday in attacking Exxon's handling of the worst oil spill in US history, Reuter reports from Parsippany, New Jersey.

At the company's annual meeting, speaker after speaker said the spill had irrevocably damaged the lives of the people around Valdez, Alaska, and asked what Exxon was going to do.

The tanker Exxon Valdez had just left the port of Valdez when it spilled 11bn gallons of oil into Alaska's Prince William Sound.

Some protesters called for Exxon's chairman, Mr Lawrence Rawl, to quit. Mr Rawl told the meeting clean-up costs have reached \$115m (£68m). "More funds will be required to finish the clean-up and meet related responsibilities – how much cannot be estimated at this point."

"But I am confident Exxon's traditional financial strength will not be impaired by this accident."

Tougher fuel rules for 1990 cars

By Roderick Oram in New York

THE Bush Administration is to impose tougher fuel economy standards on 1990-model cars, despite pleas from Detroit that the measure will cause a loss of jobs in the industry without helping the US save energy.

Manufacturers will have to meet an average target across their range of cars of 27.5 miles per US gallon. Ford Motor expects to be about 1 mpg below the standard and General Motors about 0.5 mpg below.

The companies had lobbied hard for a further extension to a three-year freeze on the standard granted by the Reagan Administration. The previous government had also called for the repeal of the 1975 law that set fuel economy targets.

Mr Samuel Skinner, Transportation Secretary, pointed out that the US was importing a greater proportion of its oil supplies now than in 1975. The US may soon be dependent on foreign producers for more than half its oil, he warned.

GM called the Bush Administration's decision "a misguided regulatory programme that doesn't save energy but does endanger US jobs".

The companies can comply with the standard in a number of ways. Besides improving the efficiency of engines, they can use credit for exceeding earlier, easier standards, shift their sales mix to smaller cars, or pay penalties. Several European manufacturers are already paying such sums on some models.

One reason Detroit is finding the standard hard to meet is continuing strength of sales of big, less efficient cars. The makers are concerned about having to switch sales to smaller, less profitable cars, with the prospect of cutting output and jobs on some lines.

Ethiopian leader claims victory over mutiny

By Julian Ozanne in Nairobi

PRESIDENT Mengistu Haile Mariam last night said troops loyal to him had crushed an army mutiny in Asmara, provincial capital of Eritrea, 48 hours after a foiled coup attempt initiated in Addis Ababa.

But according to western diplomats in the Ethiopian capital, heavy fighting was reported to be continuing last night around Asmara as pro-government forces battled with rebellious troops of the 150,000-strong Second Army.

Speaking on state-run television and radio, President Mengistu said: "The Second Revolutionary Army, which stood firm, has today crushed the traitors who mutinied against their leadership and has brought the situation under full control."

According to diplomats, loyalist troops appeared to have re-taken the radio station in the town for a few hours in the afternoon and were broadcasting pro-government propaganda. The broadcasts stopped in the early evening.

Some reports from the town indicated that the leader of the rebellion and head of the 150.00-strong Northern Command, Major General Demissie Bulto, had been killed in a shoot-out.

"Its still a very confused picture up there," said one senior western diplomat. "The tendency up to now has been to think that the flow has been against Mengistu among soldiers in the provinces. But if these latest reports are true this improves his chances of surviving, at least in the short term."

The loyalty of an estimated 60,000 troops garrisoned in Harar and Dire Dawa, in Harerge province, remained uncertain. But western diplomats believed that they were either neutral or against the government. Unconfirmed reports indicated that troops in Gondar had also declared for the coup.

Addis Ababa was reported to be quiet last night, although there were persistent reports that reprisals were being carried out.

Earlier in the day secessionist rebels in the north of Ethiopia declared a ceasefire in their 28-year war with the central government, in an attempt to encourage the mounting nation-wide army rebellion.

"The EPLF is unilaterally observing a two-week ceasefire to facilitate the successful outcome of the steps taken by the Ethiopian Forces," the broadcast said.

The possibility of creating an alliance between coup leaders in Asmara and the EPLF, some of whose senior officers were reported to have been inside the garrison, may have divided the Second Army. This could have lead to a backlash among hardline soldiers, reluctant to join the rebels.

It was becoming clear yesterday that the coup attempt mounted on Tuesday with the support of most of the top officers had been betrayed in its very early stages, forcing the plotters to launch it earlier than anticipated.

The 4,000-strong Air Force, trained and educated abroad and traditionally a more flexible group within the armed forces, appeared to have been a leading element in the putsch.

It was reported yesterday that the headquarters of the Ethiopian Air Force at Debra Zeit, 40 miles south of the capital, was still tightly ringed with forces loyal to President Mengistu. The commander of the Air Force, Major General Amha Desta, was killed in a shoot-out with loyalist forces soon after the coup attempt.

Yesterday, Addis Ababa radio reported that Mr Fanta Belai, Ministry of Industry and former commander of the Air Force, had been arrested.

Karen guerrillas threaten Burma logging concessions

By Roger Matthews in Bangkok

THE scramble by Thai companies to exploit logging concessions granted by the financially hard-pressed military regime in Burma has set off rows both locally and internationally, while also leading to intensified fighting along the border.

More than 60 people have been reported killed this week as an estimated 2,000 Burmese troops continued their artillery and mortar attacks against positions held by Karen rebels. The long-standing military struggle with the guerrillas, who are seeking regional autonomy from Rangoon, has taken on additional significance because they could frustrate lucrative contracts for exploiting Burma's rich teak resources.

Mr Patrick Moynihan, the US senator from New York, in a reference to the plight of the Karen, said: "We have been heartened by the news that the Cambodian civil war may soon be resolved, but not 300 miles away from the battlefields of Cambodia an equally bloody civil war is being fought in tragic obscurity."

Senator Moynihan is seeking to introduce legislation in Washington which would ban the import of teak and fish products originating in Burma while urging international organisations to mediate an end to the fighting. The US has already cut off aid to Burma following the repression of pro-democracy demonstrations last September.

"To stay alive, the Burmese military junta is cynically selling what Burma has left: teak wood and fish," Senator Moynihan said. "And the cynicism of the Burmese regime has regrettably found ready partners among Burma's neighbours." He also warned that the 80 per cent of the world's remaining teak reserves, which are in Burma, could be threatened by recent logging agreements between the Thai companies and Rangoon.

Thailand has this year imposed an almost total ban on logging following flash floods in the south last October, in which an estimated 400 people were killed.

The decision to halt further destruction of the country's forests was politically popular but could have been disastrous for the logging companies, until alternative supplies were found for them in Burma.

Two of the Thai companies which have been given the largest concessions in Burma estimate that the increase in teak imported into Thailand could force down prices next year by 20-30 per cent. They added that total imports of teak would be four times greater than Thailand's own production before the logging ban was introduced.

General Sunthorn Kongsompong, the Thai military chief of staff, warned earlier this week that undisciplined businessmen and cabinet ministers were hindering the exploitation of the Burmese teak reserves.

"The military moved in to pave the way for them, but things have since become a big mess," he complained. "The companies say one thing and the cabinet ministers say something else because they are all struggling for bigger benefits."

The result was, according to the general, that relatively little wood had so far been brought out of Burma.

Bamboo grove cash baffles the Japanese

By Stefan Wagstyl in Tokyo

A BIZARRE mystery, involving rare stamps and Y200m (£890,000) of cash dumped in a bamboo grove, has kept Japanese newspaper readers and television viewers entertained for weeks.

People bored with the endless twists and turns of the Recruit affair have tried instead to work out why Mr Kazuyasu Noguchi, the president of a mail order company, kept Y200m in the boot of his car for 15 years, then threw it away one night in Kawasaki, near Tokyo.

The police questioned 46-year-old Mr Noguchi for days *without being able to establish* exactly why he did it. For the average Japanese following the saga, the investigation raised as many questions as it answered.

The story began in early April when Mr Norinaga Sata, a 39-year-old restaurant owner, went looking for bamboo shoots in a grove on the outskirts of Kawasaki, a grimy industrial city not noted for its bamboo groves. He found three plastic bags stuffed with *bundles of Y10,000* notes.

He told police, who searched the area and found Y100m. Reporters rushed to the scene and asked locals where they thought the money had come from. "Property deals," said one man. "Yakuza" (gangsters), said another. "Recruit," said a third.

Two small boys managed to monopolise the television cameras, appearing almost nightly and spreading wild rumours about the wonders of their bamboo grove. "Discarded bags are nothing new around here," they said. To the embarrassment of the police, they were right. Soon after the official search was completed, locals found an extra Y100m in bags the police had missed.

Police eventually tracked down Mr Noguchi, who maintained that the money was not his. Meanwhile, newspapers and television stations ran opinion polls asking: "What would you do with Y200m?". The two small boys had the answers: "I would build a house and buy a big foreign car for my dad to drive."

Eventually Mr Noguchi caved in. He admitted he had made the money from dealing in rare postage stamps, including some from Okinawa, in 1970-74. He had bought the Okinawan stamps because he guessed (rightly) their value would increase after the US returned Okinawa to Japan in 1972. Mr Noguchi said he kept the money in the car after a theft at his company offices in 1974.

In October 1987, he had dumped the money in a bamboo grove because "one acquaintance committed suicide, another went bankrupt and still another was murdered as a result of their postage stamp transactions".

He claimed he had intended to give the money to charity, but changed his mind for fear the taxman might investigate the source of such a large gift. He had hoped someone would find the money in the grove and give it away on his behalf.

The police do not believe Mr Noguchi, but cannot find evidence of wrong-doing. The average Japanese is wondering what he might have done with all that money. The two small boys in Kawasaki were caught playing truant and are now back at school.

Protests cloud Gorbachev's Shanghai visit

By Quentin Peel in Shanghai

MR MIKHAIL Gorbachev, the Soviet leader, rounded off his Chinese tour in the huge port city of Shanghai yesterday, but his visit there was totally overshadowed by huge new demonstrations on the city streets.

Tens of thousands of students seized control of the Shanghai waterfront to protest in front of the city hall against press censorship, bureaucracy and corruption in the ruling Communist Party.

Thousands more gathered in People's Square, outside the city council buildings, in support of up to 500 hunger strikers, following the lead given by the student hunger strikers in Peking.

Banners denouncing Deng Xiaoping, the country's veteran leader, were openly paraded through the city streets, only days after he presided over the first Sino-Soviet summit for 30 years.

While the students denounced the Shanghai Communist Party leadership, the Soviet president was meeting the very same people to exchange compliments.

The hero of the city yesterday was not the Soviet leader, for all his evident popularity among China's youth. It was an elderly newspaper editor called Qin Benli.

It was his dismissal as editor of the outspoken weekly newspaper World Economic Herald almost a month ago which fuelled the student protest.

A third demonstration in Shanghai yesterday was outside his newspaper offices, continuing the protest against his sacking and against the failure of the newspaper to appear this week because of a new dispute between the journalists and a special supervising committee installed by the Shanghai Communist Party.

In Peking, a communiqué published by the official Xinhua news agency reiterated the promises by China and the Soviet Union to cut armed forces along their border but restated their differences over Cambodia, where Soviet-backed Vietnamese forces deposed the Chinese-supported Khmer Rouge government in 1979.

The communiqué said the two sides "agreed to take measures to cut the military forces in the areas along the Sino-Soviet boundary to a minimum level commensurate with the normal, good-neighbourly relations between the two countries". They also agreed to speed up long-running discussions aimed at settling the 4,000-mile border line.

On Cambodia, the communiqué repeated China's position that the Vietnamese-backed government should be replaced by a coalition of four rebel factions, including the Khmer Rouge, until elections could be held. The Soviet Union maintained that interim arrangements should be worked out by the Cambodians themselves.

Moscow and Peking agreed that once Vietnamese troops withdrew, "the countries concerned" should gradually reduce and eventually stop all military aid to the warring parties.

The communiqué said dialogue between the leaders of China and the Soviet Union was important and Mr Gorbachev had invited Deng Xiaoping, President Yang Shangkun, Communist Party chief Zhao Ziyang, and Premier Li Peng to visit Moscow.

Mikhail Gorbachev, the Soviet leader, leans out of his car window yesterday to shake the hand of a youngster in Shanghai

FSX project at risk, warns Baker

By Peter Riddell and Robert Thomson

MR James Baker, US Secretary of State, yesterday warned that restrictions imposed by the Senate on the controversial FSX fighter project with Japan might put the whole agreement at risk.

Earlier, Japan expressed "serious concern" over the Senate's action.

While narrowly approving the FSX project overall, the Senate voted on Tuesday to add new safeguards banning the transfer of certain jet engine technology to Japan and requiring close Congressional oversight of the terms of the agreement, especially the balance of shared production.

The administration fears this might force the renegotiation of the fighter deal for the second time and it wants to persuade the House Foreign Affairs Committee not to adopt the Senate resolution, so that it will be dropped or watered down in a joint House/Senate conference.

In a letter to the committee, Mr Baker said the Senate resolution "establishes an unacceptable precedent infringing on the president's constitutional authority with respect to the conduct of negotiations with foreign powers. The conditions stated in the resolution would put the entire FSX programme and our agreement with Japan at risk."

In Tokyo, a Ministry of Foreign Affairs spokesman said: "We are seriously concerned about this matter."

The spokesman said that the government was trying to find out precise effects of the resolution on the project, and whether the Bush Administration still had the power to influence the resolution.

Arens optimistic over Middle East peace effort

By Lionel Barber in Washington

MR MOSHE ARENS, Israeli Foreign Minister, yesterday expressed optimism that the US would agree to a three-way meeting between President Bush and the leaders of Israel and Egypt to advance Middle East peace efforts.

After talks at the White House, Mr Arens admitted he had not received a firm commitment towards the Israeli proposal, but he told reporters: "I think there's reason to be optimistic."

The Bush administration has been trying to encourage Israel to hold talks with Palestinian leaders to end the uprising in the Israeli-occupied territories, as a first step towards bringing about a final settlement of the Arab-Israeli dispute.

Mr Arens, who is holding talks with senior administration officials in Washington this week, said the three-way meeting was "the first point" of a peace proposal approved by the Israeli cabinet last weekend which also includes plans for elections in the West Bank and Gaza.

Mr Arens added: "I think there's a fair chance that President Hosni Mubarak of Egypt will also be interested."

US diplomatic activity in the Middle East has picked up this month and a high-level team visited Israel in an effort to flesh out the election plan. Mr James Baker, US Secretary of State, is due to give an important speech to the American Israel Public Affairs Committee, the most influential pro-Israeli lobbying group in the US, next Monday. Mr Yitzhak Rabin, Israeli Defence Minister, is also to visit Washington next week.

Gaza Strip under siege, say Arab businessmen

By Hugh Carnegy in Jerusalem

INCREASINGLY tough Israeli curbs on the movements of Palestinians have put the occupied Gaza Strip under virtual economic siege, a leading Gazan businessman said yesterday.

The Israeli authorities announced they would shortly impose a new system requiring all Gazans wanting to cross into Israel to carry individual permits in addition to the identity cards they already need. Yesterday, all Gazans were confined to the narrow coastal strip by the Israeli army for the third day running, although a blanket curfew was lifted for more than half the 650,000 residents.

The government said the new permit system, intended to stop anyone active in the Palestinian uprising in the occupied territories entering Israel, might be extended later to the West Bank. Security officials said the clampdown was meant as a shock to Palestinians, to show them Israel had not relinquished control to the leaders of the *intifada*.

Mr Mansour Shawwa, Gaza's top industrialist, said the uprising had shattered the Strip's flimsy economy, causing more Arabs to seek work in Israel. Extended curfews had worsened the situation.

"Gaza is virtually under siege. At the moment, the backbone of our economy is the income people can bring in from Israel."

He estimated that 120,000 Gazans now relied on work in Israel, earning a total of at least $350m (£206m) a year. People were living off meagre savings and many were near starvation. The new permits would make things worse. "If the Israelis go ahead with this, it will increase the *intifada*," he said.

Japan's East Asia moves meet with suspicion

Tokyo finds it hard to win political clout in the region, **Stefan Wagstyl** writes

JAPAN is finding it difficult to convert its huge economic influence in East Asia into increased political clout.

While Japanese trade, investment and aid in the region are soaring, Tokyo is finding that even modest advances in its political role are met with intense suspicion. Memories of Japanese expansion during the war prompt some countries to recall the Asian Greater Co-Prosperity Sphere whenever there is talk of Japanese-led economic integration in the region. More generally, there is a straightforward fear of being bullied by an economic superpower.

Japanese diplomats are now assessing the results of two initiatives launched earlier this year which both ran into severe criticism in the region.

The setbacks indicate that while East Asian countries are keen to trade with Japan and accept Japanese investment and aid, they are wary of allowing Japan to enjoy the fruits of its labours. Even in the economic field, East Asian countries are reluctant to expand the kind of government-to-government contacts which would allow Japan to increase its political influence.

Moreover, recent events show that while the US urges Japan to share the twin burden of aid and defence, it is reluctant to share the accompanying power and influence.

The first Japanese initiative was a plan floated by the Ministry for International Trade and Industry for an annual Asia-Pacific conference of trade ministers.

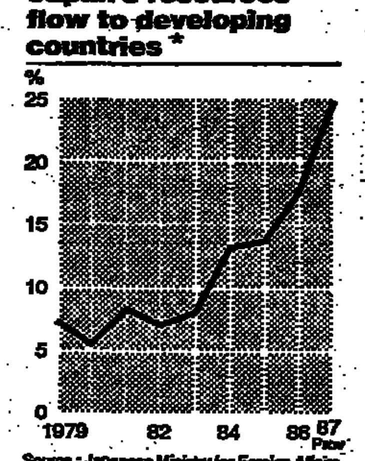
Miti's proposals are a watered-down version of a scheme separately announced by Australia for a regional economic co-operation organisation involving the establishment of a permanent secretariat as well as annual regional conference.

However, from the start, the project was viewed with great suspicion by Japan's Ministry for Foreign Affairs, which was worried partly about Miti encroaching on its turf and partly about the reaction to the proposal from the members of the Association of South East Asian Nations – Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

The proposal was therefore put near the top of the agenda for discussions during Prime Minister Noboru Takeshita's trip to Asean countries earlier this month. To its quiet satisfaction, the Foreign Ministry's fears were confirmed.

An official says that Thailand and Singapore opposed the plan outright, Indonesia and Malaysia had big reservations and the Philippines was indifferent. "The reaction shows we must be very careful about any new international organisation in this part of the world," said the official who accompanied Mr Takeshita on his visits.

Japan's resources flow to developing countries *



Source: Japanese Ministry for Foreign Affairs
* (including public and private sector funds)

The Asean countries' main objection is that the proposed regional conference might undermine their own pact. They are afraid Japan would inevitably dominate any regional organisation.

The conference plan will now be reconsidered by the foreign ministry, Miti and the Australian Government.

The second Japanese plan to run into trouble is a proposal for expanding the role of the Asian Development Bank, the multilateral aid agency, which held its annual meeting in Peking at the beginning of the month.

The Japanese proposed that the ADB, which lends money mainly to public sector projects, should establish a private sector finance arm, to be called the Asian Finance/Investment Corporation (AFIC). The ADB would take a 30 per cent stake, with most of the rest taken by Japanese banks and securities companies.

The corporation would borrow on the open market (principally from Japanese companies) and lend to private sector projects in the developing countries in the region.

Japan said the plan was an honest attempt to meet *demands from the US* and elsewhere that it should do more to recycle its trade surpluses.

The scheme was supported by several countries in the region, including Indonesia, which is one of Japan's oldest trading partners in East Asia. Mr Ali Wardhana, a former Indonesian Cabinet minister, says: "Japan is the only country in a position to supply resources to the region."

However, opposition to the initiative was more loudly voiced than *support. Thailand*, which is concerned about the impact of a sudden explosion of Japanese investment in Bangkok, warned against dressing up Japanese banks' funds as multilateral money.

Mr Sukri Kaocharern, president of the state-run Industrial Finance Corporation of Thailand, says: "Asian people don't want a Japanese-led bloc. They want co-operative arrangements between countries. But I don't think we should get too close to the Japanese."

Meanwhile, the US delegation weighed in with a performance reminiscent of the American criticism last autumn of the plan put forward by Mr Kiichi Miyazawa, the former Finance Minister, for solving the Third World debt problem. It seems US officials still regard policy formation at the ADB as their prerogative. (The bank was established by the US during the Vietnam War as a means of fighting the spread of Communism in Asia.)

Speaking at the annual meeting, Mr Charles Dallara, an assistant Secretary at the US Treasury, said: "There needs to be broad regional and non-regional ownership and control of the proposed corporation". Mr Christopher Patten, the British aid minister, also criticised the scheme. Some Japanese bankers who heard the speeches could hardly hide their annoyance. A Japanese minister would not dare go to Europe to attack British aid initiatives in Africa, said one.

ADB's permanent staff (where there is fierce rivalry between Japanese and American contingents) is now expected to rework the proposal to increase non-Japanese participation. Perhaps Japan should be patient. After all, the Miyazawa plan for the Third World debt crisis re-emerged six months later in the form of a US proposal.

Bush pledges pressure for 'equality in South Africa'

By Lionel Barber in Washington

PRESIDENT George Bush yesterday met prominent black anti-apartheid leaders, including Archbishop Desmond Tutu, and pledged to use US pressure to bring about "justice and equality" in South Africa.

Mr Bush stressed his abhorrence of apartheid during yesterday's White House meeting, his spokesman, Mr Marlin Fitzwater, said.

Archbishop Tutu said he had been impressed by Mr Bush who, he said, appeared to want to be "a catalyst for change" and a "positive influence."

The Bush administration has begun to review its policy in South Africa and is preparing for a visit by Mr F W de Klerk, the National Party leader, who is expected to succeed President P W Botha in September. Mr de Klerk would be the first top South African leader to make an official visit to Washington in 30 years.

Mr Bush is due next week to meet Congressman Ron Dellums, the Californian Democrat who is sponsoring new sanctions legislation in Congress against the Pretoria government.

The administration opposes sanctions, but faces a Democratic majority in Congress, where prominent party leaders appear to favour such moves.

Archbishop Tutu, flanked by two other anti-apartheid leaders, the Rev Allan Boesak and the Rev Beyers Naude, said he had not asked for specific initiatives, apart from asking Mr Bush to urge Pretoria to negotiate *with its opposition.*

● Jim Jones reports from Johannesburg: The South African government has hinted at the possibility of removing the country's three-year state of emergency when it comes up for annual renewal on June 12.

The indication was given by Mr Stoffel van der Merwe, South Africa's Information Minister, in Cape Town yesterday, when he said the government was considering whether the lifting of the state of emergency could be justified.

Throughout the emergency, the South African government has regularly maintained that *the lifting of* the emergency is permanently under consideration.

However, removing it now has several attractions, particularly if it helps to free the country from international isolation and is not accompanied by a repeat of earlier uprisings in black townships.

In recent weeks, the government has freed over 1,000 political prisoners detained without trial under the terms of the emergency regulations.

Although more than 500 were served with restriction orders on their release from prison, the releases have been interpreted as a move towards normalising the internal situation and setting the stage for talks on the country's constitutional future.

The present state of emergency was imposed in 1986 after the lifting of an earlier emergency had been followed by a country-wide black revolt.

Death sparks S Korea protests

By Maggie Ford in Kwangju

PROTESTS reached a peak in South Korea yesterday over the suspicious death of a university student found in a dam this month in the provincial city of Kwangju.

On the anniversary of a bloody 1980 uprising in the city, up to 100,000 students have held peaceful demonstrations around the country demanding that the government disclose the facts about the student's death and about the 1980 incidents which followed the imposition of martial law by former President Chun Doo Hwan after he took power in a military coup in 1979.

President Roh Tae-woo was the senior general when townspeople and students seized a government armory in Kwangju on May 18 1980, and took control of the city. Troops were sent in to suppress the anti-government uprising and hundreds were killed and injured

The death of the student, Lee Chol Kyu, who was editor of the campus newspaper, follows a crackdown on alleged leftists over the last two months. Mr Lee was being sought by police for publishing articles about communist North Korea. Police cover-up of the torture death of another student led to public outrage and successful demonstrations for democratic change in 1987.

Government prosecutors have had difficulty in convincing the public that Mr Lee drowned after falling into the dam while being traced by the police. Photographs of his body and some evidence from the autopsy suggest his death may have been violent.

The disappearance of Mr Lee took place on the same day as six riot policemen were burned to death on a campus in the provincial city of Pusan following a pledge by students to give up using fire bombs.

WORLD TRADE NEWS

Super 301 threatens trade talks, warns Gatt chief

By Nancy Dunne in Annapolis, Maryland

MR ARTHUR Dunkel, Director-General of the General Agreement on Tariffs and Trade (Gatt), yesterday warned of the "potential for damage" to the international trade talks posed by actions threatened under the new US trade law.

An effective multilateral system required consideration of many national policies, like support for agriculture, within the Gatt, he told an EC conference in Annapolis, Maryland. "Automatic retreat behind the banner of 'national sovereignty' will not be good enough in the future."

However in an answer to journalists, Mr Dunkel acknowledged that the listing of "priority countries" and trade barriers under Super-301 US trade law, due on May 30, could conceivably be used in a positive way to reinforce Uruguay Round.

Mrs Carla Hills, the US Trade Representative, has promised to employ the US law in support of Gatt's objectives. And in this, Mr Dunkel, said, the Bush administration has a difficult task ahead.

The Bush Administration has been slow in putting together a trade team amid pressure to clarify the issues raised by Mr Dunkel. Whatever action is taken "should not be able to be used as a pretext by trading partners for withdrawing from the Round."

Arthur Dunkel: Everyone in the real world is in a hurry

Most US trading partners see Super-301 as a threat, he said. But because some time elapses before retaliatory action is taken, "no one can say if it is legal or illegal."

Mr Dunkel stressed the need to conclude the Uruguay Round talks by the end of 1990 – before EC negotiators become overwhelmed by the 1992 single market talks and when the US Congress must pass a new farm bill. He said: "In the real world, exporters, producers, everyone is in a hurry. They want to know the rules."

Mr Dunkel said he could see little to fear from the 1992 process. "The Uruguay Round and the EC single market can, should and must be mutually reinforcing and should together add to the benefits the world gains from trade."

On the contentious issue of foreign trade reform, Mr Dunkel seemed to take both the US and the EC to task. There is an ambitious mandate, he said, "no useful useful purpose is served by continued bickering over who won what on short term measures or on the definition of the long term objectives. The commitment is to long-term fundamental reforms and that means substantial change for all – and my definition of all includes both the United States and the European Community".

● The International Institute of Economics, a Washington think tank, in a report yesterday, urged the US to shun bilateral free trade agreements and instead seek to reinvigorate Gatt. It said bilateral deals held little promise of trade reform and would discourage other countries from finding solutions through Gatt.

Dutch permit for new jumbo

By Lynton McLain

THE DUTCH department of civil aviation yesterday granted KLM Royal Dutch Airlines a permit to fly the latest Boeing jumbo jet, the 747-400, but not a certificate of airworthiness.

The permit enabled KLM to fly the aircraft, the first 747-400 in Europe, to Schiphol Airport, Amsterdam, even though Dutch, West German, French and British civil aviation authorities remain in dispute with Boeing over the failure of Boeing to comply with European airworthiness safety standards.

These standards were made a formal requirement in 1980 for aircraft bought by the airlines of the four countries. Boeing said its 747-400 airliner was a derivative of earlier jumbo jets, while the European civil aviation authorities have said the aircraft is new and should have embodied the latest safety standards.

The permit to fly will also enable KLM to put the aircraft on the Dutch register of aircraft permitted to fly.

It was not clear last night whether the Dutch would fly passengers in the aircraft, although Boeing said in a statement from Seattle where the jumbo jets are made, that "the aircraft will enter commercial service with the airline in early June as scheduled."

The Civil Aviation Authority in the UK, which is a party to the Dutch action in withholding certificates of airworthiness for the Boeing 747-400 bought by European airlines, said yesterday that permits to fly were issued for short periods and could be withdrawn at any time.

The KLM aircraft was certified by the US Federal Aviation Administration this week as the first Boeing 747-400 to be powered by General Electric engines. Earlier 747-400 aircraft in service with North West Airlines of the US and Singapore Airlines were also certified by the FAA and were powered by Pratt & Whitney engines.

Boeing and the signatories to the joint airworthiness requirements, France, the UK, West Germany and the Netherlands, are to continue their discussions to establish compliance with European air safety regulations, Boeing said.

Nestlé joint venture to make Kitkat in Japan

By Ian Rodger in Tokyo

NESTLE, the world's largest food products company, is setting up a joint venture with Fujiya, one of the top Japanese confectionery groups, to manufacture and distribute Rowntree Macintosh confectionery in Japan. Nestlé took over the British group, Rowntree Macintosh, last year.

The move is the latest of several by international confectionery groups to penetrate the Japanese market.

Until six years ago, the market was largely closed because of a 31.9 per cent tariff on imported chocolate containing sugar. The tariff was lowered to 20 per cent in 1983 and to 10 per cent last year, following years of complaints by European and US governments. The sharp rise in the value of the yen has also added to the competitiveness of imports in the Japanese market.

Nestlé estimates that chocolate imports have risen from Y10bn in 1984 to Y26bn last year, mainly because of a big effort by the US Mars group. However, imports still account for less than a tenth of the Japanese market.

"We would expect to see an improving share for imports. That is why international companies are focusing on Japan," Nestlé said.

Fujiya has been making and distributing some Rowntree Macintosh brands under licence since the early 1970s. At the moment, it makes Kitkat, Golden Toffees, Cresta and Choco Crossies and imports After Eight and Polo. Kitkat accounts for about Y6bn of the total Y7bn sales of these brands in Japan.

This activity will be turned over to the joint venture and Nestlé expects it will continue unchanged. However, it was "highly likely" that other Rowntree Macintosh brands would be supplied to the joint venture.

The joint venture will be capitalised at Y1bn and Nestlé will have a controlling interest. Nestlé said the group had enjoyed a "positive relationship" with Fujiya and the Japanese company was eager to continue manufacture Rowntree Macintosh products.

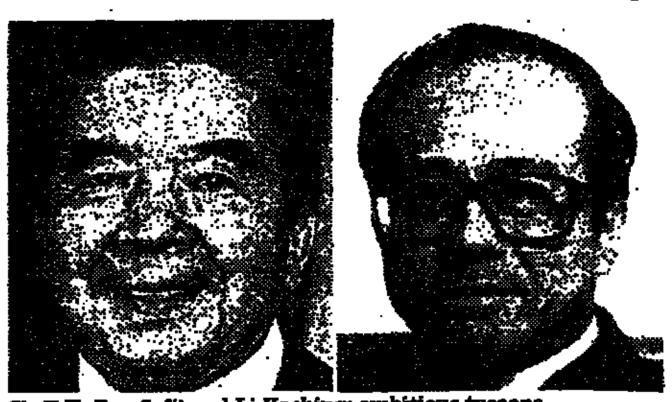
Nestlé acknowledged that it might be cheaper to revert totally to imports for the Japanese market but having local manufacturing would give the group more flexibility in responding to marketneeds.

HK rivals enter telecom ring

John Elliott assesses the contenders for the colony's second network

EVERY DAY there are 3,000 holes open in Hong Kong's roads for a variety of public works, exacerbating the small cramped colony's traffic congestion. Now a strong local ethic in favour of competition – and the worldwide battle being fought by two UK companies, British Telecom and Cable and Wireless – is likely to lead to considerably more holes being opened next year.

Later this year 15-year licences are to be issued for Hong Kong's first cable television service – expected to be the world's largest, covering up to 1.5m homes. Linked with this is the main prize of using the new network for telecommunications, especially after 1995 when Hong Kong Telephone – known locally as Telco – will probably lose its monopoly over local voice communications.



Sir Y.K. Pao (left) and Li Kashing: ambitious tycoons

Battling for the lucrative licences are two of Hong Kong's most powerful and ambitious tycoons – Mr Li Ka-shing and Sir Y.K. Pao – backed by a variety of international companies.

Telco has had the monopoly on the colony's local voice network for over 60 years and in 1984 proposed it should also carry cable television. The government agreed, but competition soon emerged in the form of Mr Li Ka-shing's Hutchison group which proposed laying a second network and teamed up with British Telecom, Cable and Wireless's arch rival for international contracts.

This fitted in with the government's growing interest in opening telecommunications to competition. Telco disagreed and argued that, with some modifications, its existing optical fibre network could easily be used – and the roads would not have to be dug up.

But it lost the argument and last year the government invited bids for a second network to provide cable television, plus non-voice telecommunications. Telco withdrew from the race when the government decided it could only have a 15 per cent stake in any cable consortium.

Now Telco is waiting to start talks with the government on the future of its voice communications monopoly after 1995. The government is delaying the talks, probably till the end of this year, when it will have awarded the cable television licences and can use the winning group as a stalking horse against Telco. Some government officials recognise that their ideological preference for liberalisation has to be offset by Telco's good performance record – but on balance it is likely the monopoly will end.

The cable bids are now being examined. The favourite is Hutchison CableVision, 50 per cent owned by Mr Li Kashing's empire. It includes Hutchison Telecom which operates cellular and paging telephone services and wants to grow into a major Hong Kong-based Asia-Pacific telecommunications company with European links.

British Telecom has a 24 per cent stake. Others include 10 per cent held by Swire Pacific, one of Hong Kong's leading trading combines, 10 per cent by Peking's China International Trust and Investment Corporation, and 6 per cent by the august Hongkong and Shanghai Banking Corporation. AT&T of the US is an adviser along with Kokusai Denshin Denwa of Japan, Viacom of the US and Rogers Cablesystems of Canada.

The main rival is Hong Kong Cable Communications, 28 per cent owned by Sir Y.K. Pao's Wharf Holdings which entered the race earlier this year.

Sun Hung Kai Properties, a Hong Kong company controlled by the Kwok family has a 27 per cent stake and US West has 25 per cent. Another 10 per cent is held by Sir Run Run Shaw's Shaw Brothers which controls Hong Kong's TVB television station, and 10 per cent is with Coditel, part of Belgium's Tractobel cable television group. Paramount Pictures of the US is an adviser.

Both groups expect to spend between HK$4bn and HK$5bn in capital investment and initial losses, and intend to introduce immediate non-voice telecommunications services such as high speed fax and private networks. They will provide 30 to 40 channels, including seven reserved for existing television services and the government.

The Government is to make its choice in July. Hutchison's shareholdings could count against it because it is 50 per cent controlled by one man, Mr Li, who already dominates electricity supply and container ports in Hong Kong.

Sir Y.K. Pao's group on the other hand has a wider share ownership and a powerful US company, US West, but the inclusion of the owner of an existing TV station, TVB, could be a negative factor.

Meanwhile Sun Hung Kai Securities has put together an all-Hong Kong consortium called Windows Television System which wants to use Telco's network.

But the government seems determined to have a second network to liberalise telecommunications in the 1990s.

Thais send trade mission to Vietnam

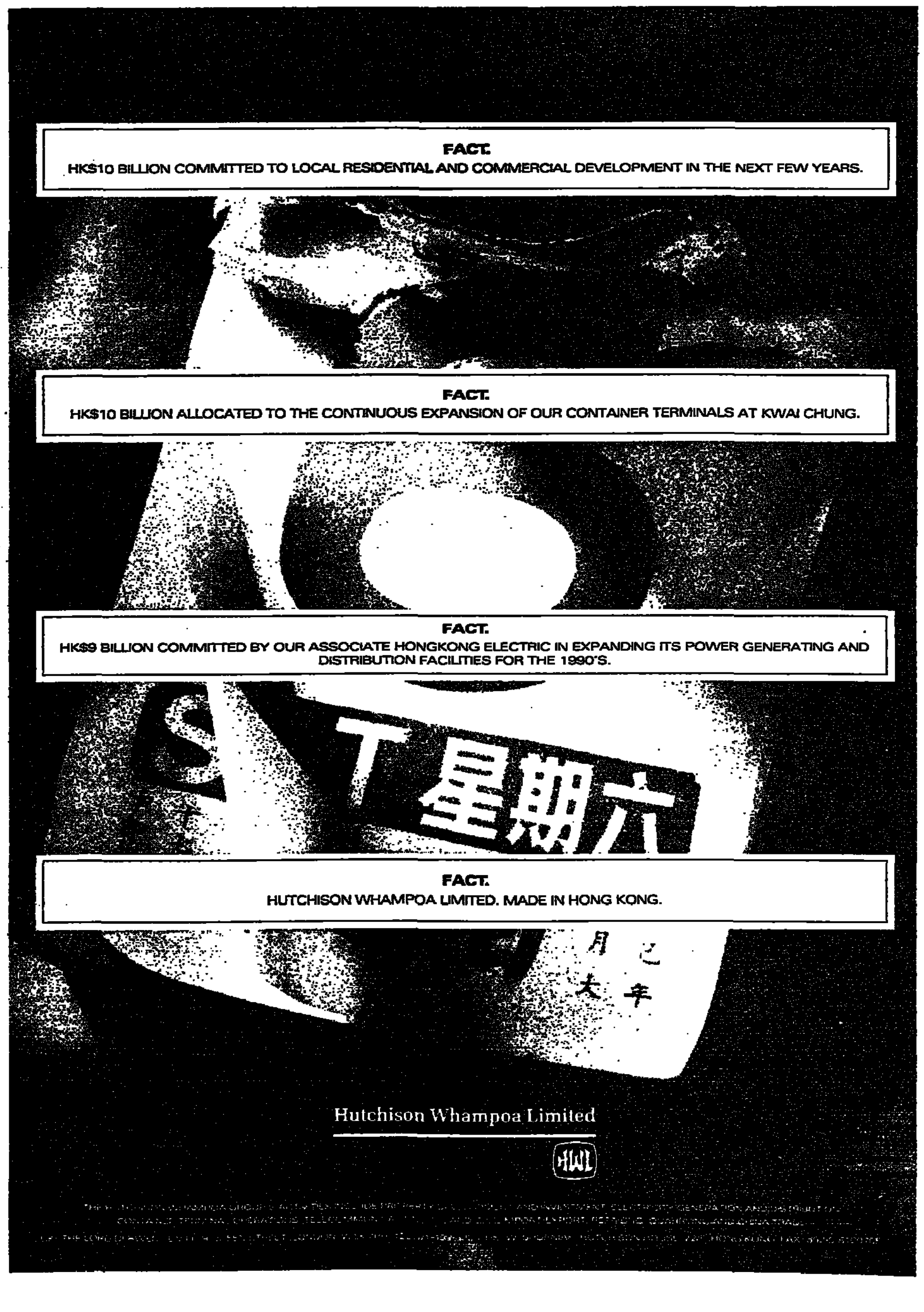
By Roger Matthews in Bangkok

THAILAND is pressing ahead with its policy of developing economic relations with Vietnam despite the continuing military occupation of Cambodia and the serious reservations of its regional and international allies.

The first official Thai trade delegation to Vietnam for 30 years is due to leave for Hanoi on Sunday, representing a broad spectrum of business and trading interests. The 65-strong delegation hopes to lay the foundations for future investment in Vietnam and for the expansion of existing exports such as rice and sugar, but also for manufactures, such as Thai-assembled vehicles.

The Thais will be particularly looking for long-term opportunities in construction, tourism, telecommunications and pharmaceuticals. Given the crippled state of the Vietnamese economy, the Thai delegation's visit will have greater political than economic significance and will be viewed as part of the government's strategy to establish Bangkok as the business hub through which it hopes that Vietnam, Laos, Cambodia and Burma will develop internationally.

According to figures from the Board of Trade in Bangkok there are now 35 foreign joint ventures in Vietnam involving 11 countries. Thailand's exports to Vietnam is the first nine months of last year amounted to little more than $4m.



Jobless figure lowest in eight years

By Simon Holberton, Economics Staff

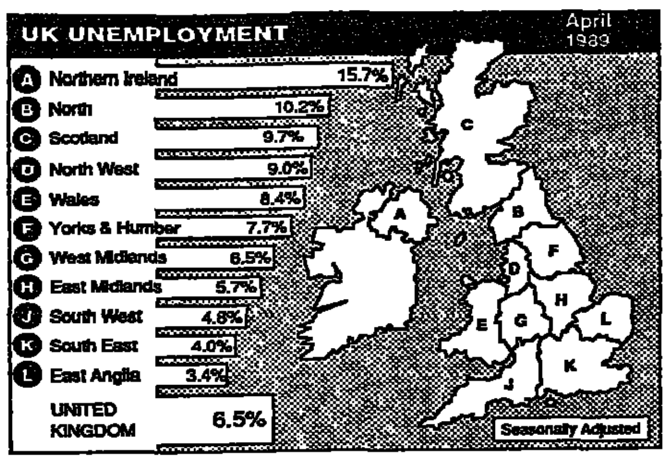
THE NUMBER of people claiming unemployment benefit, the official measure of UK unemployment, fell to its lowest level for more than eight years in April after one of the largest monthly falls on record.

The Department of Employment said that the level of unemployment, adjusted for seasonal variations, fell by 60,200 last month to 1.85m people. This took the unemployment rate to 6.5 per cent of the workforce, its lowest since November 1980.

The gain in employment was spread nationwide, with the largest falls concentrated in south east England, the west Midlands and the north west. There was a further, if small, decline in vacanies at Job Centres, the Government employment centres.

The Employment Department's figures show, however, that employment in manufacturing and the power and water industries continued to fall during the first three months of 1989. This suggests that the growth in employment has been concentrated mostly in the service sector of the economy.

The figures, though welcome for the Government in many respects, suggest that conditions in the labour market remain tight. Such conditions are often cited by independent economists as indicative of inflationary pressures in the economy, particularly to the extent that a tight labour market fuels rising pay claims and reflects skill shortages in industry.



The picture of the pay situation provided by the figures was, however, ambiguous. The underlying annual rate of earnings growth in the whole economy was 9¼ per cent in March, after a downwards revised 9¼ per cent in the year to the end of February.

The Employment Department said about 20 per cent of the UK workforce will have had their pay increased during April, although it could give no indication by how much. Independent analysts believe that recent pay settlements have been averaging around 7 per cent, more than 1 percentage point higher than last year.

It was not wholly clear the extent to which this would cause the underlying rate of growth of earning to rise significantly.

In manufacturing, Employment Department figures showed underlying growth in earnings apparently stabilising around an annual rate of 9 per cent, though last month's pay round could push it higher.

The full effect of the rise in earnings on unit costs was moderated by another strong rise in output per head, or productivity. This was 6 per cent higher in the three months ending in March compared with a year ago.

Britain remains, though, the equal worst performer among the Group of Seven leading industrialised countries in terms of unit costs in manufacturing. While most of its competitors are cutting or holding costs, they continue to rise in the UK (and Canada).

The rise in earnings in manufacturing was not as great as had been feared, however, and most analysts had expected earnings growth to accelerate slightly.

There are signs that the number of hours of overtime worked are moderating and this may have a restraining effect on underlying earnings.

London analysts believe that this autumn's pay round will be more important for the future course of inflation as a number of important two-year pay deals are due to be re-negotiated and financial markets are seeking tight money conditions and a relatively high exchange rate to be maintained to dissuade companies from paying high settlements.

The Government's opposition to higher pay deals was underlined in a written comment on yesterday's figures by Mr Norman Fowler, Employment Secretary. The high growth rate of underlying earnings "puts at risk our ability to compete in both domestic and foreign markets," he said.

Setback for De Lorean liquidators in courts

By Raymond Hughes, Law Courts Correspondent

THE LIQUIDATORS of Mr John De Lorean's sport car company, which collapsed seven years ago owing about £113m, have suffered a setback in their attempt to claim damages from Arthur Andersen, the company's auditor, in the Northern Ireland courts.

The Law Lords ruled yesterday that the life of the liquidators' writ, issued in February 1985, had been wrongly extended by a Northern Ireland court in February 1986, by which time it had not been served on Arthur Andersen.

Unless its validity is extended a writ automatically lapses if not served on the defendants within 12 months of its issue.

The effect of the ruling, made on an appeal by Arthur Andersen, is that the liquidator, the accountancy firm of Pannell Kerr Forster, must start their action afresh. However at least part of their claim will now be barred because of the time lapse.

The Northern Ireland-based company De Lorean Motor Cars was heavily funded by the UK Government.

Hurd urges European link-up to confiscate cocaine profits

By Richard Donkin

BILATERAL agreements across Europe to confiscate drugs proceeds in the money laundering system were urged by Mr Douglas Hurd, the Home Secretary, yesterday, outlining a new package of measures to tackle the cocaine menace.

Mr Hurd, hosting a ministerial meeting in London of 19 nations in the Pompidou Group, set up to discuss drug problems, warned that the arrival in Europe of large quantities of cocaine threatened to "transform what is already a serious situation into a disaster." Cocaine seizures in Europe rose from 155 kilos in 1978 to almost 5.5 tonnes in 1988.

Even more alarming, he said, was the emergence of the cocaine derivative, crack, in the United States. "Crack is the spectre I see hanging over Europe," he said. The number of crack seizures was still small he said but had risen from 13 in 1988 to 27 in the first quarter of 1989.

Mr Hurd said he strongly commended a draft declaration promoting bilateral agreements between EC members states and with nations outside the community on confiscation of drugs proceeds.

He said: "The North American market having been saturated, the cocaine barons of Latin America are now driving their product into Europe."


Douglas Hurd

The UK, he said, had already concluded agreements with the US, Canada, the Bahamas, Australia and Switzerland. Discussions with Italy, France, and the Netherlands were underway. Mr Hurd initialled a further agreement at the conference with Sweden which gives reciprocal powers to trace and confiscate the proceeds of drug trafficking.

The UK, however, has had no success so far attempting to persuade Luxembourg, which has some of the tightest bank secrecy laws, to follow suit. Mr Charles Elsen, a Luxembourg Government councillor said: "We prefer multilateral agreements to lots of separate negations for agreements which all differ."

He said the pool of drug funds seized from criminals in the UK now topped £7m. The Government, he said, was investigating the questions of increased rewards for people giving information about drug rings.

New measures announced to combat drugs trafficking and drug abuse included:

- Provision of £2m over the next three years for better equipment and training for police fighting to break the supply route of cocaine from Latin America to Europe.
- An extra £500,000 to the United Nations for drugs investigation and secondment of two junior offices to UN drugs bodies.
- A scheme, planned for introduction next April, for UK customs and drug experts to train customs officers in transit countries and countries where drugs are produced.

Mr Hurd said the UK was offering to host a major international conference next year on the issue. Ministers agreed a UK proposal to set up a working group to look at further action against crack and cocaine.

Peugeot stages dramatic recovery to £106m profit

By Kevin Done, Motor Industry Correspondent

PEUGEOT TALBOT, the UK subsidiary of Peugeot of France, increased its profits (after tax and extraordinary items) last year to £106.7m from £13.15m in 1987 helped by a big jump in both sales and production.

The company has staged a dramatic financial recovery in the last two years after running up accumulated losses of £350m from 1978 to 1986.

Peugeot is considering a major investment at the Peugeot Talbot assembly plant at Ryton, Coventry, in the Midlands, which is expected to include a far-reaching modernisation of the plant and an increase in capacity. A decision on the project is expected in the autumn.

Peugeot Talbot, originally the Rootes group and then a subsidiary of Chrysler of the US from the late 1960s until its takeover by Peugeot in 1978, is to pay a dividend of £60m to the Peugeot parent concern, the first paid for 23 years.

Peugeot Talbot's financial performance is further confirmation of the big turnround in the fortunes of the UK motor industry in the last two years with profits now at a record level.

Last month Vauxhall, the UK subsidiary of General Motors of the US, announced a fourfold jump in net profits to £151.9m, while Ford of Britain, the UK subsidiary of Ford of the US, more than doubled its pre-tax profits last year to £673m.

Mr Geoffrey Whalen, Peugeot Talbot managing director, said that the more than eightfold jump in profits last year had stemmed chiefly from the big jump in the company's UK sales and from a 69.6 per cent increase in output at the Ryton assembly plant, which began double shift working in April last year.

Profits were also boosted by extraordinary gains of £12m arising from the ending of the company's 25-year car supply contract with Iran and its unexpected success last year in selling its final car kits and production machinery to Teheran.

Peugeot Talbot turnover rose by 55.8 per cent to £1.15bn from £740m in 1987. Peugeot's UK car sales rose by 25.2 per cent to 126,825 compared with an overall increase in the UK car market of 10 per cent, while commercial vehicle sales rose by 15.4 per cent to 14,281. The Peugeot marque increased its share of the UK market to 5.72 per cent from 5.03 per cent a year earlier.

Car output at the Ryton plant increased to 78,000 from 46,000 in 1987 and a low point of only 19,900 in 1985. The plant is now producing exclusively the Peugeot 405.

Peugeot Talbot is planning to increase output at the beginning of June to 2,500 cars a week from 2,200 at present. Mr Whalen said that car production this year at Ryton was expected to rise by 36 per cent to around 106,000 with a further jump to some 120,000 in 1990, the plant's maximum capacity without further substantial capital investment.

Mr Whalen said that Peugeot was planning to increase car sales in the UK this year by some 18 per cent.

Lonrho loses legal fight over Fayed and Fraser

By Raymond Hughes, Law Courts Correspondent

LONRHO, the international trading conglomerate headed by Mr "Tiny" Rowland, has lost the final round of its legal battle with Lord Young, the Secretary for Trade and Industry, over the House of Fraser.

Five Law Lords yesterday unanimously rejected Lonrho's plea that Lord Young be ordered to refer the 1985 takeover of House of Fraser by the Egyptian Fayed brothers to the Monopolies and Mergers Commission.

They also refused to order Lord Young to publish his inspectors' report into the takeover, which he has referred to the Serious Fraud Office, without further delay.

In a judgment endorsed by his four colleagues, Lord Keith, the presiding law lord, said that the records of negotiations between Lonrho and the DTI on the question of publication showed "a scrupulous anxiety" on the department's part to act fairly and give proper consideration to the problems posed by the report's contents.

They also disclosed that Lonrho – in a proper attempt to change Lord Young's mind on publication – had improperly tried to "bully" and "intimidate" the DTI with threats of court action and "insinuations of a political 'cover-up'."

Lord Keith said it was difficult to see what useful purpose would have been achieved by a monopolies reference, other than as a step towards enabling Lord Young to exercise his powers under the Fair Trading Act to order House of Fraser Holdings to divest itself of its Fraser shares. "In other words, to take Harrods away from the Al Fayed brothers, which is, of course, Lonrho's principal objective in these proceedings."

No competition or consumer issues were involved and there was no indication that the MMC's particular expertise was required to advise Lord Young on any public interest aspect, Lord Keith said.

"It can, of course, be said that it is contrary to the public interest in its widest sense that the [Director General of Fair Trading] and the Secretary of State should be deceived during the investigation of a merger and that there is a public interest in pursuing and punishing those who do so."

But, Lord Keith went on, Lord Young had already received his inspectors' report and further public resources were being committed in the investigation by the Serious Fraud Office and the Director of Public Prosecutions.

Lord Keith continued: "If the current investigation should warrant proceedings for serious fraud, no doubt the criminal law will take its course.

"Furthermore, there are extensive powers available under the Company Directors Disqualification Act 1986, which would, if circumstances justified it, enable the Al Fayed brothers to be removed from control of Fraser."

Lord Keith said that no fault could be found with the way in which Lord Young reached his decision to defer publication of the inspectors' report.

Lord Young said later he was delighted with the outcome of the case. "As I have frequently said, I am determined to publish the report as soon as circumstances allow."

Road spending to be more than doubled to £12bn

By Rachel Johnson and Andrew Taylor

SPENDING on motorways and trunk roads in England and Wales is to be more than doubled under plans announced yesterday by Mr Paul Channon, Transport Secretary.

The plans, which would raise the existing £5bn road programme to more than £12bn, would involve adding extra carriageways to some of Britain's busiest motorways. This would include a £1bn plan to widen the M25 London orbital motorway to four lanes.

Extra lanes are also proposed for large parts of the M1, which connects London with the north of England, and the M6 which connects the Midlands to north west England.

Mr Channon said the proposals contained in a draft law, Roads for Posterity, would be pursued urgently to reduce congestion on British roads and take advantage of the opening of the Channel tunnel in 1993 and the dismantling of trade barriers between European Community countries in 1992.

Failure to tackle road congestion would lead to increasing delays which would in turn make British industry uncompetitive. The Government was not willing to accept this outcome.

The transport department published new figures yesterday which showed that traffic on British roads was now forecast to increase by up to 142 per cent by 2025, far higher *than previously forecast.*

Mr Channon said the legislative document dealt only with motorway and trunk roads between cities because rail was the best way of relieving urban congestion.

He said that separate studies on London's traffic problems would published this autumn.

The latest proposals include upgrading a large parts of the A1 highway, which connects London with Edinburgh in Scotland, costing more than £400m.

Plans to convert the road into a motorway running between London and Tyneside in north-east England would also be investigated.

The emphasis of the new programme would be on widening and improving existing routes rather than building new roads.

Nearly a third of motorways would be four-lane dual carriageways by the time the programme was completed. Most of the remainder would have three lanes.

Almost two thirds of all trunk roads would be dual carriageway, compared with one third presently.

A number of new bypasses have been proposed to ease congestion and take traffic away from town centres.

Mr John Prescott, the opposition Labour Party's transport spokesman said that the Government was taking panic measures because it had failed to spend enough money in the past.

New routes added to the road programme include 20 miles of motorway costing £300m between the M6 and M66 to the north and west of Manchester and an 11 mile motorway costing £45m between the M25 and Chelmsford in Essex.

There are also plans to build a new east-west route between the East Anglian ports of Felixstowe and Harwich and the M40 north of London.

The Federation of Civil Engineering Contractors said last night that road builders had received the best news for more than a decade.

The Freight Transport Association said the programme it would "revitalise freight movements and keep industry moving."

The Confederation of British Industry, the employers' organisation, and British Chambers of Commerce both welcomed the proposals. "Congestion costs us money; it loses us markets.

Big investment in transport is the single most important contribution business looks for from government spending," said Mr Roger Burman, chairman of BCC.

Transport 2000, the umbrella pressure group, said "Government plans to spend billions on road building and neglect the key transport needs. It will destroy more countryside and add to pollution."

Government steps in to oilfield dispute

By Steven Butler

THE GOVERNMENT yesterday intervened in a dispute between British and Norwegian licence holders over ownership of the Statfjord field, the North Sea's biggest oilfield which straddles the median line between Norway and Britain.

Resolution of the dispute, in which licence holders disagree over how much oil lies on each side of the median line, could potentially lead to a transfer of billions of dollars between the field partners and could affect hundreds of millions of pounds in government revenues.

Mr Peter Morrison, the energy minister, yesterday invoked Government rights under the Statfjord Treaty with Norway which allow it to call for a redetermination of equity shares in the field. This could lead to the appointment of an independent expert who will use current data on the field to make a binding decision.

British partners currently have 15.9 per cent of the field, which had original reserves of 3.3bn barrels, but the Government is confident the British *share of the field would rise in* any independent redetermination. Each percentage point swing in ownership would lead to a loss or gain of £150m to £200m in tax revenues, depending on the oil price.

"The Government's action reflects our dissatisfaction at the time taken for the operator to make a recommendation on the redetermination called for in 1985. What should have taken 90 days has taken over three years," said Mr Morrison.

A redetermination was originally called for in 1985 by the UK field partners, which include Conoco, Chevron, and BP – *through its ownership of* Britoil – because they believed data would show the UK share should rise. The principal Norwegian partners include Statoil, Mobil, Esso, Shell and Conoco.

In March, failure to reach agreement led to appointment of an independent expert to make a binding redetermination. However, the expert, under the terms of the agreement among field partners, had access only to outdated 1985 data.

The Government intervention will supersede these other procedures and lead to a more *rapid decision based on current* data. This is none the less expected to take a year to complete.

Shop stewards call national dock strike meeting

By Jimmy Burns, Labour Staff

SHOP STEWARDS from ports around the country plan to meet in London tomorrow to draw up plans for a national docks strike. The move threatens to undermine the cautious legal steps in the docks dispute taken by the TGWU transport union.

TGWU national docks officials reiterated last night that they would await the outcome of legal action brought against it by employers in the High Court in London yesterday *before deciding whether to* implement a national docks strike.

They stressed that they were not involved in organising the meeting of which they have not *be formally told.* They said whatever decision was taken would not be official.

Mr John Connolly, TGWU national docks officer said: "The meeting will have no constitutional status within the union."

However the meeting tomorrow appears to be indicative of a growing tension within the union over how it should respond to the docks dispute *after the results of a national* ballot are officially declared today.

There is a strong feeling among some shop stewards that whatever the outcome of *the court case dockers should* take strike action before the Government's repeal of the Dock Labour Scheme becomes law in July.

Elsewhere on the industrial front unions representing London Underground's 2,457 drivers and 1,250 guards look set to reject a 10.5 per cent pay offer which has attached to it sweeping changes in work practices.

Meanwhile trade union hopes *of co-ordinating a joint* campaign of industrial action against British Rail were badly damaged yesterday when Aslef, the drivers union decided to suspend a national *ballot planned* for the end of this month. In a surprise move, delegates at Aslef's annual conference meeting voted to suspend a ballot of over 17,000 drivers.

More than 70,000 university students look set for a further wait before they know for certain that the threat to this year's examinations has been lifted. The executive of the Association of University *Teachers wants to put the* employers' latest pay offer out to a ballot of the union's 30,000 members.

SE market makers' privileges 'should go to all big traders'

By Norma Cohen

A CONSULTANT'S report ordered the by Mr Andrew Hugh Smith, the London Stock Exchange Chairman, urges that privileges presently reserved for equity market makers should be extended to all principal trading firms.

The report, prepared by Touche Ross, the consultants, argues that the the ability of broker dealers to trade as principals has made artificial the distinctions between broker dealers and market makers. In exchange for the new privileges, the broker dealers should be required to submit their trades to Seaq, the Stock Exchange's central price display system.

Market maker privileges are jealously guarded and are viewed as compensation for firms which commit their own capital to the market and agree to make two-way prices under all market conditions. The privileges which Touche Ross recommends be extended are:

- The exemption from stamp duty on long positions and the bull and bear dividend offset tax concession;
- *The right to lend and bor*row stock through the Talisman settlements system with the attendent tax benefits;
- Access to inter-dealer broker screens and the right to not disclose shareholdings in a company which are larger than the Companies Act threshold.

Touch Ross said that obligations to make two-way prices on Seaq screens continuously *should not be removed,* although market makers should have privileged access to a limit order system if such a system were put into effect.

The report was commissioned by a Stock Exchange group known as the Chairman's Room, consisting of Mr Hugh Smith, Mr Stanislas Yasukovich of Merrill Lynch and Peter Stephens of the Bank of Liechtenstein.

It was ordered after Exchange officials grew concerned that a separate review might not address key questions about the future of the Exchange as an international body.

That committee, headed by Mr Nigel Elwes of S.G. Warburg, the merchant bank, is due to present its report to the Stock Exchange Council on May 22. Last year it pushed through a rule change which allowed market makers to delay publishing trades of over £100,000 until the next day.

Kinnock launches Labour programme for the next decade

By Michael Cassell, Political Correspondent

MR NEIL KINNOCK, the Labour leader, yesterday launched his party's programme for government in the 1990s, based on a system of fair taxation and economic growth and pledged to keep government spending within levels the nation can afford.

The publication of Labour's "new agenda" for Britain marks the completion of the policy review process which *was set in train after the* last general election defeat. The 88-page document now has to win the approval of the party conference in the autumn.

The new policies at once came under fire from Labour's own left wing, which claimed the party had now fully embraced capitalism. They were also attacked by a number of ministers, who described the policy review as a cynical attempt to win votes.

Mr Kinnock moved at once to counter what he forecast would be the inevitable attempts by the Government to exaggerate the cost of Labour's policy proposals. He said that, nearer the next election, the party would provide much more precise information on the financial implications of its programme.

The Labour leader stressed that the party wanted higher investment in industry and public services, particularly for transport and health, and that it would give greater spending priority to pensioners and the poor.

But he said the "cautious" programme would not proceed on the basis of a promise to spend more than the nation could afford. There would be self-imposed *restraint,* in which Labour "cut its coat according to its cloth".

Mr Kinnock expressed confidence that a fair taxation system – incorporating a starting point for income tax of 20p or less which rose to 50p – would create the resources, along with economic growth, to finance the party's cumulative programme.

Mr John Smith, the shadow Chancellor, said a Labour government would also treat as a priority the fight against tax evasion, which cost the nation an estimated £5bn a year, and tax avoidance, which made it possible for someone earning £1m a year to avoid paying taxes.

He said Britain was "divided into a nation of of pay-as-you-earn and pay-as-you-like", and emphasised that Labour also found unacceptable the "two standards" which applied to pay increases for company directors and to those for the ordinary workforce.

Mr Bryan Gould, Labour's trade and industry spokesman, said Labour regarded record company profits as an important inflationary factor.

He said Labour wanted to see high levels of company profitability but if companies exploited their position and raised profits and prices unnecessarily, their behaviour would be taken into account in the context of competition policy.

Mr Michael Meacher, the party's employment spokesman, rejected suggestions that the proposed changes in trade union laws represented a return to the past.

Mr Kinnock resumed his attack on Mrs Thatcher's approach to Europe, claiming she adopted "a mixture of Boadicea and Winston Churchill" in using chauvinism to try to resolve problems. Labour, he claimed, was now more European than the Tories.

On Europe Labour declared that "Britain's future is in the European Community." but added: "We oppose moves towards a European Monetary Union".

Not that the sections in the document on Europe do not mark a shift in Labour's thinking. The move towards a single market – and the accompanying pressure from Brussels for a social dimension – are seen as providing a welcome buttress for some of Labour's domestic ideas.

Labour insists that while there is a potential conflict between national sovereignty and the supranational powers of the Community, the extent of Brussels' authority has been exaggerated by the Conservatives.

A Labour government would seek to build durable alliances within the EC to ensure that Britain's national interest were protected, while establishing mechanisms to improve parliamentary scrutiny of Brussels' legislation. But over what might be regarded as a litmus test of Labour's commitment – full membership of the European Monetary System – the policy document remains equivocal.

FT LAW REPORTS

Sellers can cancel contract over substituted ship

CONTINENTAL UK v CARGILL UK LTD
Court of Appeal (Lord Justice Parker, Lord Justice Bingham and Lord Justice Taylor): May 15 1989

THE SUBSTITUTION of a vessel for another properly nominated by fob buyers of cargo entitles the sellers to cancel the contract if not done in time for the requisite contractual notices to be given in respect of the substituted ship.

The Court of Appeal so held when dismissing an appeal by Continental UK Ltd, buyers of cargo, from Mr Justice Evans's decision that the sellers, Cargill UK Ltd, were entitled to cancel a contract for the sale of barley free on board [fob] buyers' vessel.

LORD JUSTICE PARKER said that on July 15 1986 Continental agreed to buy and Cargill agreed to sell 25,000 metric tons of English feed barley at £102 fob buyers' vessel.

The contract provided for delivery between August 5 and 31. Under the nomination clause buyers were to give eight days' provisional notice of the date of the estimated times of arrival (ETA), followed by four days' definite notice of presentation of the vessel for loading. In the event of failure to give definite notice in accordance with the contract, buyers would be deemed in default.

The vessel was to present notice of readiness at 16.00 hours at latest on the last business day of the delivery period, "having complied with all the requirements of the nomination clause above".

On August 20 1986 the buyers nominated Cobetas "or sub [substitute] ETA 29.8.86".

It was accepted that that was a good provisional notice under the nomination clause.

It was followed by a telex on August 22, giving "definite notice of vessel ETA 31.8.86".

The words "or sub", which had appeared in the provisional notice, were not repeated.

The sellers acknowledged receipt of the definite notice, but accepted the vessel only if it complied with all the terms and conditions of the contract.

Cobetas did not arrive in time to give valid notice of readiness. On August 26 the buyers became aware that they would be unable to present her in time, and telexed that they were substituting Finnbeaver.

The sellers rejected the substitute notice on the ground that the buyers had already given definite notice of Cobetas. They said they awaited contractual presentation of Cobetas.

The following day buyers reaffirmed the substitution and sellers reaffirmed their rejection. Finnbeaver arrived at ready to load. Notice of readiness was given, but sellers declined to load.

Finnbeaver was a suitable vessel. The only reason for rejecting her was that the market had moved upwards, because the sellers offered to load her under a new contract in identical terms save as to price.

On August 29, the last time for giving notice or readiness having expired at 1600 hours, the sellers telexed that the buyers had failed to present a contractual vessel within the stipulated conditions. They said the buyers were in default and the contract was cancelled.

The dispute went to arbitration. The sellers contended they were entitled to cancel. The buyers contended the cancellation was wrongful and that they were entitled to damages consisting in the difference between the contract price and the market price at date of breach.

The buyers succeeded before the arbitrators and the Gafta Appeal Board. The sellers' appeal was allowed by Mr Justice Evans.

On the present appeal Mr Rokison for the buyers contended *inter alia* that there was a general right to substitute at Common Law, and that right had not been excluded by the contract.

The foundation of his case was Mr Justice Widgery's judgment in *Ampro [1965] 2 Lloyd's Rep 157.*

Ampro concerned a contract for the sale of maize fob, shipment between September 20 and 29 1960. Buyers validly nominated a vessel but she was delayed and it became apparent on September 29 that she would not be able to load until September 30. On September 29 buyers arranged for another ship, and sellers formally cancelled the contract.

The facts were thus very similar to those of the present case.

There was however one important difference. In *Ampro* the contract did no more than provide that the cargo was to be shipped fob a vessel to be nominated by the buyers.

In dealing with whether the buyers were entitled to nominate the second ship, Mr Justice Widgery said the question was not so much her suitability, but the propriety of substituting a new vessel.

He said there was nothing expressly in the contract to provide for the circumstances in which a particular vessel should be nominated, and that the general law was that the buyers should provide a vessel capable of loading within the stipulated time.

If they informed the buyers they proposed providing vessel A, he said, there was no reason why they should not change their minds and provide vessel B at a later stage, "always assuming that B is provided within such a time as to make it possible for her to fulfil the buyers' obligations under the contract".

Mr Rokison submitted that decision established the general right of substitution in all fob contracts, subject only to the substituted vessel being able to load within the shipping period.

Much reliance was place on Mr Justice Widgery's reference to substitution, but that reliance was misplaced.

The problem in *Ampro* was whether the nomination of vessel A prohibited the later nomination of vessel B, even if the nomination of B was good and there was nothing in the contract as to the circumstances in which a vessel *should* be nominated.

The decision did not establish or purport to establish any general rule of law.

In the present case the contract expressly provided for a series of notices. It also provided specific details as to the suitability of the vessel to be provided.

The provisions of the nomination clause were complied with in respect of Cobetas, but by the time the first notice in respect of Finnbeaver was given it was too late to be good as either a provisional or final notice in respect of that vessel.

The notice of readiness was timeous in respect of Finnbeaver, but the notice of readiness clause required that the vessel was to present notice of readiness "having complied with all the requirements of the nomination clause above".

The buyers' argument involved reading the clause as if it read "having complied with all the requirements of the nomination clause above in respect of *some* vessel", whereas the sellers contended it should be read as "having complied with all the requirements of the nomination clause above in respect of herself", or "in respect of that vessel".

The sellers' construction was preferable.

Parties specifically stipulated for the vessel's name to be given eight clear days before ETA and to be followed by a definite notice four running days before expiry of the delivery period, and for notice of readiness to be given after compliance with such requirements. It was impossible to attribute to the parties a mutual intention that buyers could nominate another vessel notwithstanding it was too late to give provisional or final notice in respect of that vessel.

Mr Rokison contended that the buyers' fundamental obligation was to provide a suitable vessel within the delivery period. He said the courts should uphold contracts where possible, and not enable the sellers to escape when the vessel was suitable.

Those arguments could not prevail over the plain meaning of the contract. It was common place for parties, if they could cancel contracts, to take advantage of changes on the market. But if the right to cancel was there they were entitled to exercise it, notwithstanding that the sole reason was commercial advantage.

The *Ampro* established no more than that the nomination of vessel B was not barred by the previous nomination of vessel A, provided that B was a good contractual nomination.

In the present case it was not.

The appeal was dismissed.

Lord Justice Bingham and Lord Justice Taylor gave concurring judgments.

For the Buyers: Kenneth Rokison QC and Peter Gross (Lovell White Durrant)

For the Sellers: David Johnson QC and Timothy Young (Middleton Potts)

Rachel Davies
Barrister

Commission is criticised for predatory pricing decision

By A.H. Hermann, Legal Correspondent

IT IS sometimes overlooked that the quality of work of the Brussels administration may be more important than the extent of powers transferred to the European Community.

This quality depends only partly on the strength of the personalities of the individual Commissioners, who are often hostages of the EC establishment. Often it is left to the European Court to review the standards of Brussels mandarins.

Given the collective judgments of the Court, resulting often from a compromise, the spade work done on appeals from Commission's decisions by one of the Court' six Advocates General is of greatest importance.

Individual Advocates General take a different view of their work. The francophones see themselves as representatives of "public interest" which means mostly the legal policy of the Commission.

By contrast, Sir Jean Pierre Warner, now Chancery Judge, Madame Rozes, now retired as First President of the French Court of Cassation, and Sir Gordon Slynn, now sitting as a judge, saw themselves very much like judges of the first instance, subjecting the issues before them to a rigorous and impartial analysis. They helped to keep the Commission on its toes.

Fortunately there are now again two Advocates General at the Court who take a judicial approach to their work.

One of them is Professor Francis Jacobs, who in *Basch and others v the Commission* (Cases 100, 146, & 153/87), took a strong line when the Commission flouted both the Treaty and a judgment previously given in the same dispute by the Court.

The three joint cases are appeals by Commission officials who feel that they were not given an equal opportunity in a promotion procedure. Many such cases come before the Court, but the interesting point here was that the Court already once decided that the Commission must give reasons when rejecting an employee's applications, and responded to this merely by issuing another letter to the unhappy officials, saying that after giving the matter the greatest possible attention, it arrived at the same conclusion – again without giving reasons.

The Advocate General pointed out that a complaint to the Court asking for an explanation of a previous decision was inadmissible, but volunteered the explanation himself: all Community decisions must be reasoned.

* * *

A picture of an almost unbelievable sloppiness in the work of the Competition Department and of the Legal Service is provided in the opinion of Mr Carl Otto Lenz, another of the Advocates General who take an impartial attitude and do not mince their words.

His opinion on the appeal of AKZO Chemie BV against the Commission (Case 62/86), delivered last month, is an indictment of the inadequacy of the Commission's fact finding and the confusion of its legal views. Indeed, reading the 100–page long, carefully reasoned Opinion, one is left with the impression that the Commission was trying at all costs to achieve an *increase* in the price of bleaching additives supplied by AKZO to British and Irish bakeries.

It is even accused by AKZO of trying to stifle its defence by a threat that if the Commission's view is not accepted demurely, its investigation will be expanded into the field of polymer and plastics production – a threat which was in fact realised.

The investigation followed on a complaint by one of AKZO's British competitors, ECS, claiming that AKZO was abusing its market power as supplier of bleaching and other additives to bakeries. The complaint was that AKZO reduced its prices to a degree that ECS could no longer compete.

The Commission took this to be a case of predatory pricing when a financially strong company operates at a loss in order to push a financially less resistant competitor out of the market. It issued on July 29 1983, a temporary injunction ordering AKZO to apply to some of its products minimum prices determined by the Commission. Against this, AKZO has not appealed.

This was followed on December 14 1985 by a final decision of the *Commission imposing* on AKZO a fine of ECU10m together with stipulations concerning AKZO's future business behaviour. Against this, AKZO appealed to the European Court. Having considered this appeal and the Commission's defence, Mr Lenz came to the conclusion that the Commission's procedure infringed natural justice by denying to AKZO proper hearing *during its investigations*, in particular, by failing to inform it of documents and arguments on which the decision was later based.

On the substance of the case, he found that AKZO was not in a dominant position in the relevant market and could therefore not abuse it. He proposed that the decision of the Commission should be voided by the Court.

The Advocate General provided also a supplemental opinion for the case that the Court might conclude that a dominant position did exist. In this he dealt with the allegations of abuse and reached the opinion that, except for two minor matters, none was proved.

He proposed that even if the Court accepted the existence of dominant position denied by him, the fine should nevertheless be reduced from *ECU10m* to ECU500,000.

The Advocate General had some hard words for both the factual and legal appreciation of the issue of market dominance. The Commission was wrong to treat the entire Community as the relevant market, as bleaching additives were used only by bakeries in the UK and Ireland. AKZO was in an oligopolic situation with a 52 per cent share of the UK market, but competing with ECS which had a 35 per cent share and Diaflex which had a 13 per cent share.

Mr Lenz found the Commission completely ignored the high degree of concentration on the side of the buyers – including Ranks, Spillers and Allied Mills which would not easily be dictated to. As AKZO failed in its attempt to increase the price, it could not be said that it could "act independently of its competitors and of buyers of its products" – the Court's classical definition of dominant position. The Commission also was wrong, said the Advocate General, when it based its conclusions on a "snap shot" of the market analysis instead of taking into account a longer period.

He concluded *that the* Commission's reliance on dominance in one market as a basis for abuse in another market, its taking into account of only some of the suppliers and only of a part of the geographically relevant market, and all that only in respect of a fraction of the relevant period, was not enough to come to a safe decision condemning the company.

Also the Commission's claim, that market dominance was based on a superior financial muscle of AKZO, was successfully countered by the submission that the superior financial strength *could not* bring AKZO any advantage as, with the exception of 1981, it did not suffer any losses on the sales of flour additives. The existence of market dominance was also contradicted by the fact that new entry into the market required neither special knowledge nor important investments.

As to the question of abuse (in case the Court agreed with the Commission that there was a dominant position), the Advocate General was not very impressed by the evidence offered by the Commission.

Instead of proving the existence of predatory pricing, the Commission concentrated on threats of a price war allegedly made by AKZO representatives to make ECS withdraw from the polymer and plastics market.

Some of those involved in these discussions took the threat seriously, but others did not. One gains the impression that there was a certain amount of muscle flexing on the part of AKZO, and if so, such threatening behaviour would ill behove a leading European Company.

It suits even less the EC Commission to be accused that it interferes with a quasi judicial process by threatening to widen its investigations to another product field if the defence is not withdrawn.

Sticky problems in an Anglo-German bonding

John Thornhill explains why BLP's acquisition of the much larger Berg took several months of man-hours to complete

Tony Andrews

L to r: Ian Cohen, Malcolm Cohen, Gunther Berg, and John Goodman: signed and sealed

When the architects of the European single market sat down to design their plans, it is unlikely that they gave much thought to the bonded laminates industry – that is, if they even knew what it was.

Yet last month, infused with the spirit of 1992, BLP Group, a small UK bonded laminates company which manufactures real wood strips and mouldings, announced a £14.5m acquisition of a West German company operating in the same field.

BLP described the deal as a "quantum leap" for the group as the German company was substantially larger and it will have to double its share capital in order to finance the acquisition.

The story of how the purchase was made illustrates some of the problems that confront small UK companies wanting to become European, and suggests that with sufficient determination even seemingly daunting obstacles can be overcome.

It all started about a year ago, when BLP Group decided to expand by way of a major acquisition. Since joining the Unlisted Securities Market in May 1987, BLP had revealed an ambitious acquisitive streak and had successfully taken over four companies. These forays had whetted its appetite and it was keen to continue.

The senior managers of the group drew up a list of possible target companies, including the Berg Group, a privately-owned German company, which BLP had come across at a series of trade fairs.

The Berg group was generally recognised as a technological leader in its field and was especially attractive to BLP as it offered opportunities to penetrate continental European markets. Malcolm Cohen, the earnest 30-year-old finance director with a PhD in immunology from Cambridge, was entrusted with the task of finding out more.

"We knew the Berg group by reputation but we did not know much about the company from a financial perspective. We knew about the company's products. We even knew Berg's wife's name but finding about the accounts was hopeless," he says.

First, he consulted published information on the German company, including a Dun & Bradstreet report, but generally this was of limited value and, as it turned out, some of it was of doubtful accuracy. German companies are only obliged to reveal scant public financial information about their activities and Berg's private status further complicated the issue. He then asked BLP's financial adviser, Charterhouse, to dig out what it could. This information too was not ideal.

Frustrated by his inability to unearth any real nuggets of information, Malcolm Cohen decided to adopt the direct approach. He picked up the phone and called Gunther Berg, the owner of the Berg Group. Fortunately Berg spoke English and the two arranged a meeting.

Malcolm Cohen, accompanied by his brother, Ian, the chief executive, and John Goodman, the deputy chairman, went to Germany to meet Berg; they spent half a day talking. Three weeks later Ian Cohen met Berg at a trade fair in Atlanta in the US and the wooing continued.

One approach for Berg from a German bank and another from a German public company helped focus Berg's mind; changes due in German capital gains tax made it an opportune time for him to consider selling – in 1990 German capital gains tax will rise from 28 per cent to 53 per cent. After further discussions in London about the furniture industry, management issues and potential synergies between the two groups, Gunther Berg decided in November that he would be interested in principle in concluding a deal.

The two sides had discussed a range of options as to how they could co-operate. They had considered forming a partnership or joint venture but Berg admits he was amazed when BLP suggested an outright acquisition. "They were so much smaller than us."

BLP, however, was able to persuade Berg that financing the deal by raising money through the USM would be feasible; and on reflection, Berg appreciated that this would be a good way to secure the future of his business and its employees without being consumed by a vast conglomerate.

The 49-year-old Berg, who had founded his company 18 years ago, was keen to continue having a say in the running of the business.

Berg was also attracted by the idea of forging links with a British company in the light of 1992. In typically robust fashion, he says that those who balk at the idea of transnational business links "only have a very small brain."

Malcolm Cohen, with attendant advisers, went to Germany to discuss the basic terms. Until then BLP still knew precious little about the financial structure of the Berg group but it was now confronted with sets of German accounts which were scarcely intelligible to an English company.

The German concepts of limited partnerships, depreciation, reserves, property leases and profit all caused significant problems in trying to unravel the innards of the accounts. The language problem also became acute as none of the senior BLP managers could speak German. "Luckily, Mr Berg's English was very good, otherwise we would not have had a deal," Malcolm Cohen says.

Malcolm Cohen was BLP's principal negotiator but he was heavily reliant on his team of accountants, lawyers and financial advisers. "The structuring of the deal was horrendously complicated and it proved to be a monumental exercise in co-ordinating advisers."

Berg also owned a US subsidiary and this had to be dealt with separately. A minority shareholder in the US company complicated issues and, at one point, the two sides were talking about who should have possession of a cappucino machine on the premises.

Finally, through the efforts of its accountants, BDO Binder Hamlyn, its lawyers, Simmons & Simmons, and its financial advisers, Samuel Montagu – which had replaced Charterhouse – a deal was hammered out.

The talks had consumed most of Malcolm Cohen's time for three months and even then the ordeal was not quite over. Under German law, an independent notary is required to read out the whole of the agreement between the two parties to ensure they are aware of what is contained in the documents they exchange.

The senior management of BLP had to endure a whole day of being read to in German even though they did not understand a word of what was being said, although they had, thoughtfully, been given a translation of the document beforehand.

As Malcolm Cohen relates the history of the deal he glows with pride in his achievement but is abundantly generous in his praise for the company's advisers. "We now have an excellent, young, ambitious team of advisers who work together extremely well."

BLP's management claims it has learnt a tremendous amount from its experience of acquiring Berg and would tackle things slightly differently in the future. Malcolm Cohen now realises, more than ever, the importance of having firm central direction in dealing with other companies and says that it is essential to keep advisers running in parallel.

Thanks to Gunther Berg, who now sits on the BLP board, he has also learnt how to find out information on German companies – talk to the alarmingly indiscreet network of bankers and credit insurance companies that have dealings with the chosen business.

All this would tend to suggest that BLP is looking for another venture in continental Europe, but Malcolm Cohen says that the company must first assimilate its recent acquisition and BLP's senior managers must learn German. However, he says, with a glint in his eye, "in the medium and long term . . ."

Whither Hay's harvest?

Michael Skapinker on the management consultancy's troubles

Chris Matthews, chairman of the Hay Group, says that the recent publicity surrounding his organisation has been so bad that some of his own employees thought the company was losing money.

He insists it is not. The management consulting group "is performing well and is profitable in every sector."

Hay's employees can surely be forgiven for their mistake, however. In March, Saatchi and Saatchi, Hay's parent company, announced that the group's profits would fall this year for the first time in nearly 20 years.

Saatchi identified management consulting, which accounts for 22 per cent of group revenues, as one of its problem areas. Hay is the group's biggest consulting company, accounting for about 50 per cent of Saatchi's consulting revenues.

Hay was in the news again this week with the announcement by Saatchi that Victor Millar was giving up his role as chairman of the group's communication business to concentrate on the consulting sector.

Millar was hired from Arthur Andersen in 1986 to help spearhead Saatchi's drive into consulting. Saatchi also announced last week that finance director Andrew Woods would take on the additional job of deputy chairman of the consulting sector. To some, this was further evidence of trouble at Hay and Saatchi's determination to do something about it.

The consulting company's position is not made any easier by its refusal to give precise figures on its own financial performance. Matthews does not deny, however, that Hay has had its problems in recent months. "We are in some difficulty, sure, but not the difficulty that's been implied," he says.

The root of the problem, he says, was the level of profits that Saatchi demanded from Hay for the current financial year. What Saatchi wanted from Hay, he says, was "something in excess of a 50 per cent increase over the previous year's profits." This, he said, was "far ahead of what the industry was doing and far ahead of what we had done in the past."

To achieve a target of that magnitude, new consultants had to be hired. And as everyone in the consulting industry knows, experienced consultants are in short supply.

"In an awful lot of markets now we are having trouble finding good consultants," says Terry Lynch, chairman of Hay International, which covers all the company's offices outside the Americas. "One of the reasons we're embarking so heavily on training is that if you can't find them the way you want them you have to shape them yourself."

It is not a process which can be completed in a couple of weeks or even months. New consultants who are being trained cannot go out looking for new business or serving clients, so that margins are squeezed.

In Australia and New Zealand, Hay has increased its consulting staff from 30 to 45 this year. In the UK, the number of consultants Hay employs has increased from 90 to 130 over the past 15 months.

So why did the Hay management agree to try to reach the target that Saatchi had set them? "We took on the challenge simply because that's what we get paid these outrageous salaries for," Matthews says. Hay's budget was put in place in September last year. But, Matthews says, "we recognised early on that it wasn't going to happen."

Staff was not the only investment Hay was making. It was also investing heavily in technology to support services to clients like computer-assisted job evaluation and computer-based training.

The increase in investment coincided with the end of the profit-related payments or "earn-outs" which Saatchi negotiated when it bought Hay in 1984. The earn-out period ended in September 1987. Before that time Matthews is quick to admit that Hay skimped on investment to keep profits up.

Attempting to maintain the new level of investment in people and technology while attempting to achieve Saatchi's profit target was, he says, a bit like "driving with one foot on the accelerator and one on the brake."

He denies reports, however, that large numbers of managers have left Hay. Some senior managers left the company at the time of the Saatchi acquisition but they were close to retirement anyway, he says.

Of the 270 people which Hay identified in 1984 as its key players and included in a long-term incentive plan, few, unsurprisingly, left between the time of the acquisition and the end of the earn-out period. Since the end of the earn-out period, he says, only five have left.

What of the future? Is there a fundamental clash of cultures between Saatchi and its consulting business? You do not get paid outrageous salaries for criticising your parent company, so Matthews chooses his words with care.

"I don't know whether there's been a clash or not. But I think everybody has learnt a lot in the process. There's a critical speed at which an organisation can grow and to think you can achieve the increase (that Saatchi demanded) is a bit ambitious. But we won't make that mistake again."

BIM and CMED to remain separate

THE British Institute of Management has abandoned its attempt to become the body responsible for awarding UK national management qualifications.

The BIM had intended to merge with the Council for Management Education and Development to become the central accrediting body.

A consultation exercise carried out last year, however, revealed that employers were opposed to the BIM being given such a central role.

As a result, the BIM has announced that it will remain separate from CMED. The BIM still intends, however, to go ahead with its application for a royal charter.

CMED, now renamed the National Forum for Management Education and Development, will continue with its work of establishing standards for management qualifications.

Michael Skapinker

TECHNOLOGY

Designing a building that will move with the times

Paul Abrahams explains the difficulties architects face in drawing up office plans that allow for technological change

Unappetising spaghetti hangs from the ceilings and from the underside of your office desk. The problem is that the building, constructed in the late 1970s, cannot cope with modern office technology – the ubiquitous computers, printers, telephones and fax machines.

Quite simply, most office blocks are not designed for late 1980s technology. And the rapid changes in office equipment are forcing architects to address a gamut of new issues when they design buildings.

"Architects today are designing buildings and they don't know how they'll be used – the only constant is change," says Thomas Fridstein, a director at Skidmore, Owings & Merrill, the US architects. "The technology is advancing so fast that whatever the design of the building, in five years it'll be out of date."

The main problem facing architects is the increasing density of information technology in office buildings, says Tony Thomson, associate director of facility planning and management at DEGW, the London architects. "Back in the 1970s everybody thought that smaller computers would mean fewer problems. What wasn't realised was that smaller computers also meant more computers."

Thomson explains that architects are used to dealing with such services as air conditioning, plumbing, power and telephone communications. However, the increasing use of local area networks connecting personal computers has created difficulties in handling the sheer bulk of cabling needed to link them. The new Financial Times building in Southwark, for example, has about 80 km of cabling.

Moreover, the need for these services makes the design of buildings much more complicated at a time when organisations are also seeking greater flexibility in the potential use of their floor space.

On average, 50 per cent of an office's space undergoes alteration every year, says Brian Williams, sales and marketing director at Decision Graphics Holdings, the Crawley-based facilities management company. This percentage, which Williams describes as "the churn factor", can go far higher. In one London insurance company the figure is 180 per cent, meaning that almost everybody in the company was experiencing office changes twice a year.

Williams says that one reason for this "churning" is the effect of technology on organisational structure – an effect that is likely to accelerate.

Terry Trickett, director of Trickett Associates, the London architects and designers, says that the introduction of word-processing changed the shape of modern offices because typists – and their noisy type-writers – no longer had to be banished to pools. Now, much smaller printer rooms are required and open-plan offices are a more practical proposition.

As technology advances, there will be further changes. Trickett gives the example of document image processing, a technology used to store and retrieve documents electronically, which can reduce paper storage requirements by as much as 98 per cent. In some organisations the need for document storage requires 25 per cent of floor space.

"The trouble is that by their nature, buildings are inflexible long-term structures. They can't respond to rapid changes. The result is that the organisation is, to some extent, always fighting its building," he says. "In the end, if the building is unable to adapt it becomes obsolete."

The answer to these problems is to create buildings which have adaptability designed into them. In this way, says Trickett, architects can facilitate the entry of technology into offices and ensure that as the organisation and technology change, the building changes too.

Rodney Cooper, partner in charge of interior design at the Building Design Partnership in London, says that preparations for Big Bang – the deregulation of the London Stock Exchange – pointed the way to achieving adaptability. The requirements include:

- An absence of what the architects describes as "fixity" within the building. In other words, there should be no fixed vertical columns or structures which limit flexibility.
- Sufficient height for each storey so that there is enough under-floor space for cabling.
- A grid system in which the dimensions of the modules are co-ordinated. Trickett says that each of the elements in the building, such as ceiling tiles, lighting units, windows, flooring, carpet tiles and even furniture, should have co-ordinated dimensions.

One advantage of a grid system is that services, such as lights or computer cables, do not necessarily have to be moved when an office is altered. Another is that if access is needed to a floor box, then only one floor tile need be lifted. Any partitions would run along the lines of the carpet tiles and ceiling elements.

Trickett says that, as with Meccano, the building toy, achieving co-ordination should be easy. But in practice this is not the case because ceiling tiles are usually 30 cm square, floor tiles 60 cm square and partitions 75 cm across.

And although the ideal of basing all the elements on a standard measure can be achieved – some architects insist on units based on 50 cm dimensions – others remain unaware of the demands that changing technology place on office design, says Trickett.

"The problem is that what appears obvious to the customer is not always apparent to the architect. And when they do try to communicate they're not always speaking the same language." He reckons that misunderstanding is particularly liable to occur between data processing managers and architects.

One of the most common problems which architects fail to anticipate is the demand for under-floor cabling. For example, the space under some of the floors in the three-year-old Lloyd's building in London is believed to be already full.

Another problem with cabling is one of "pinch-points", where cables leave the building's main vertical ducts to enter the under-floor space and there is insufficient room to turn them.

In addition, the route the cables will take from the floor to the back of each workstation is often forgotten by architects. The result is that cables hang untidily between the terminals and fixed floor boxes.

Even when architects are aware of these problems, many clients are unwilling to pay for adaptability, says Thomson at DEGW. The cost of flexibility is high because so many components are, as yet, non-standard. He adds that unless customers decide to give priority to flexibility then it is usually forgotten about.

Another difficulty is the role played by the developers. Thomson says that, with a few enlightened exceptions, they are usually more interested in the total amount of lettable space than in the use of the building. Rent is not paid for service space, such as extra ducts, which might offer greater flexibility.

He adds that it can be frustrating for architects to receive instructions to reduce the size of the non-lettable space on their plans when they know it is necessary if the building is to be adaptable.

What is clear, however, is that if companies do not give adaptability a priority, the spaghetti phenomenon is not likely to go away.

The race to match up buyers and sellers

A new generation of electronic dealing systems is being developed for the world's foreign exchange traders.

Foreign exchange was the first major financial market to adopt electronic trading – partly because the spot currency rates change even more quickly than prices in other markets and partly because there has never been face-to-face currency trading.

The Reuter Monitor Dealing Service, introduced in 1981, enjoyed a virtual monopoly of electronic trading for several years and helped forex trading to expand rapidly. According to one estimate, the London-based Reuters service handles one third of the $300bn worth of foreign exchange traded every day world-wide. It has 2,300 subscribers and transmits more than 100,000 dealing conversations a day.

Now, however, serious competition to Reuters is emerging in the form of two US companies, Telerate and Quotron. In response, Reuters is developing an upgraded service called Dealing 2000.

The first of these new-generation dealing services is The Trading Service (TTS), launched last month by Telerate and taken up by about 200 banks. The company says that two counterparties anywhere in the world can be connected within two seconds, via an international X.25 digital network. (The maximum connection time for the existing Reuter Monitor Dealing Service is four seconds.)

The TTS workstation is based on an IBM-compatible personal computer with an Intel 80286 microprocessor. It has an innovative "slate" for data entry, on which the dealer can carry out four transactions at a time.

The slate is a touch-sensitive device with a back-lit liquid crystal display on which the functions are listed. Set up according to the user's requirements, it supplies steps in the trading dialogue in a logical sequence. The dealer then fills in details of the specific deal.

TTS records all the information about each deal required by the bank's "back office". The computer automatically carries out settlement and confirmation procedures, and it keeps track of trading position and of profit and loss for the individual, the bank and particular currency pairs.

The new Reuters service, Dealing 2000, is undergoing final tests before its launch in June or July. The first phase of Dealing 2000, an enhancement of the existing service, offers similar features to TTS.

Dealing 2000 also enables dealers to conduct four simultaneous trading conversations on screen, although they use conventional keyboards rather than the TTS slate. The workstations, based on Intel's 80386 microprocessor, are programmed to understand the trading language and to extract a dealer's "ticket" for the subsequent movement of funds. The information can be fed electronically into banks' in-house computers.

The second phase of Dealing 2000, which banks will start testing later this year, will represent a much more radical departure. So far, electronic services have enabled dealers to carry out on a computer screen dealing conversations similar to those that they would have carried out by telephone or telex. Dealing 2000 will automatically match up buyers and sellers of a particular currency – the heart of the trading process.

Participants will feed live bids and offers into the system. The screen will display the best buy and sell rates for a range of six currencies. These will be real market rates and may differ from the "indicative" rates shown by Reuter Monitor and other financial information services.

When a participant sees an attractive rate, he or she can immediately enter on the keyboard his willingness to trade in a given currency, amount and price. The central Reuters computer matches the bids and offers, checks its database to ensure that the counterparties have sufficient mutual credit limits and then acknowledges successful completion of the trade to both parties. (Each participating institution will set up credit limits and the computer will prevent trading between banks that have no reciprocal credit line.)

If the Dealing 2000 system fails and an unmatched trade takes place, Reuters promises to execute the deal itself, using one of a selection of banks which have agreed to act as counterparties for this purpose. Reuters would make up any losses if the rates had changed adversely.

Foreign exchange brokers and bankers express caution about the new wave of electronic trading systems. Some brokers fear that the automatic deal-matching promised by Dealing 2000 in its second phase will reduce their market share, by making it easier for banks to deal directly with each other rather than going through an intermediary.

Similar fears were expressed when the original Reuters service started. However, the overall volume of foreign exchange trading has increased so much that brokers have thrived. Optimists believe that the new technology will fuel further growth.

There is more doubt about whether there will be room in the long term for three separate providers of electronic trading services – Reuters, Telerate and Quotron. (Quotron is also testing an electronic dealing service but has yet to announce details.)

"There's going to be a logistical problem. How is the dealer going to accommodate three services with separate screens on his already cluttered desk?" asks Richard Jones, a dealing technology consultant and co-author of a new book, Dealing Rooms 1990 (published by Dealing Room Unit Management, London, £19.50).

Lydia van der Meer

A foreign exchange dealing room at Kirkland Whittaker

"People may feel that Reuters has been monopolistic in its attitude and has had things its own way for too long, but I think it is going to be difficult, if not impossible, to displace it from its leading position unless the competition can offer considerable financial incentives over a long period," Jones says.

In the long run, the solution may be for the users to force the suppliers to develop an "open systems" approach and introduce compatible services which will operate on a single workstation.

Clive Cookson

The price of UK heritage

The redevelopment of the sites of London's Rose Theatre and Huggin Hill Roman baths has highlighted the dilemma of property companies, writes **Paul Cheeseright**

The new play at the Rose Theatre, unexpectedly reopened in the London borough of Southwark after 386 years, is called The Cost of Virtue.

The discovery of the theatre's foundations, surviving the piles of 20th century buildings, has unleashed waves of emotion. "Please don't doze the Rose" shouts the placard at the site. The ruins must on no account be destroyed. They are as valuable a part of the national heritage as the Tower of London. They must be saved. They must be open to the public view.

The heirs of Shakespeare in the British theatre act out their concern on the site. The impoverished Borough of Southwark wants the ruins kept and visible. So do the archaeologists and English Heritage, official guardian of the monuments. And so do Imry Merchant Developers, which plans offices for the site.

The aim is simple, virtuous and universally accepted. But who pays?

The question has become more acute because the Rose excavation, originally seen as routine before construction of a 172,000 sq ft office building, has coincided with concern about the fate of the Huggin Hill Roman baths on a site owned by Hammerson on Upper Thames Street, London, north of the river.

The two sites are similar in that they have aroused the same sort of emotions. But they are different in that Huggin Hill is a scheduled ancient monument – that is, it cannot be disturbed without the consent of English Heritage – while the Rose is not. Huggin Hill has been known about for decades, the Rose's existence has only been known about for weeks.

In both cases, however, the property companies, in line with common practice in London, paid for the excavations and made the sites available to archaeologists from the Museum of London for a specified, negotiated period.

Again, in both cases, the property companies, once appraised of the archaeological significance of their sites, went into talks with the planners, archaeologists and English Heritage about how their commercial needs and rights could be reconciled with preservation of the ruins.

In the case of Hammerson and Huggin Hill, these talks led to an agreement last Wednesday on preservation, but not presentation, of the baths, and a change in the plans for the building so that no office space would be lost.

In the case of the Rose, the first talks between Imry and the Borough of Southwark took place on May 10, before the now famous vigil of the actors at the site. In about 10 days time, Imry expects to present a way of preserving the theatre and of enabling the public to see it.

If there is anything to be concluded from these two sets of events, it is that the property companies and the authorities with which they deal have a common interest in preventing a fight. Instead, they want to find specific solutions for specific ruins.

That is true in these two cases. But it has not necessarily always been true in the past. Hence the snap general reaction that property developers only care about rushing up nasty office blocks and do not give a fig for the cultural and aesthetic health of the nation, still less its heritage.

But it is also true that property companies, like any other businesses, do not want to pay more for anything than they have to. The redesign of the building at Huggin Hill will cost Hammerson £3m. The redesign costs for Imry, which has spent £30m on its Southwark site, including land purchase, are running into what it describes as "millions".

Indeed, all the costs of the archaeological discoveries and the subsequent changes to the buildings planned for the respective sites have been met by the property companies.

It is a fair question to ask whether it is not more appropriate for national treasures to be preserved at national cost. If the Rose is a national asset, it can be argued, then it should be simple enough for the Government to buy out Imry and Postel, the ultimate owner of the site.

More generally, if the Government does not want to meet preservation and presentation costs when national treasures turn up, then perhaps it should ensure that the legislation for guaranteeing their safety is faithfully executed.

But, beyond its £1m to defray costs of a month's construction delay, the Government clearly wants nothing to do with the Rose. It would probably not have moved as far as it has done without pressure. Equally, other than rhetoric and the rather unhappy involvement of English Heritage, it had nothing to do with Huggin Hill.

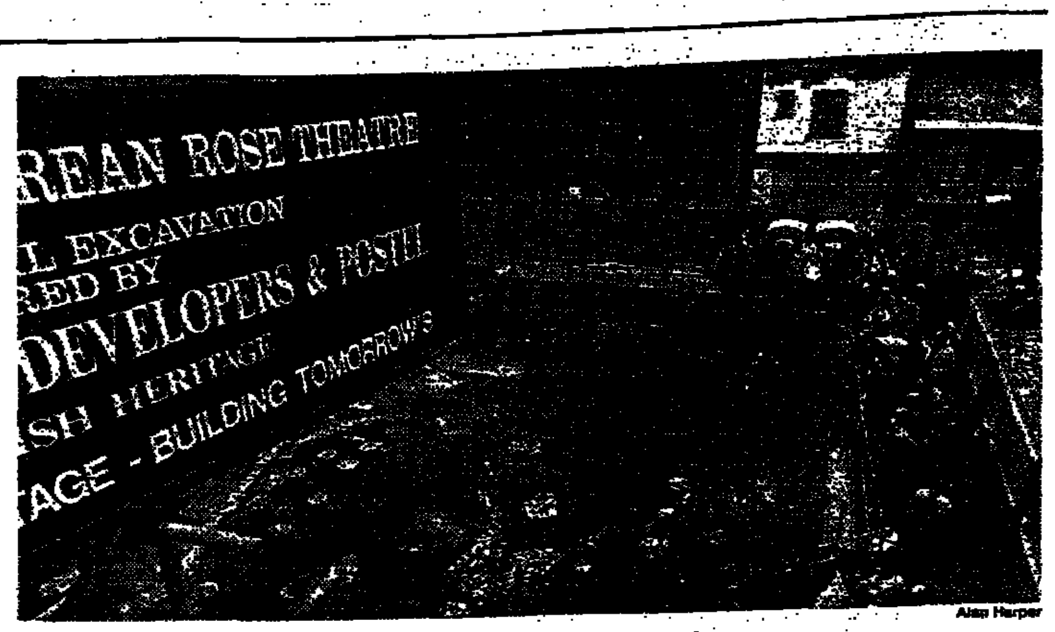
The question of legislation is inapplicable to the Rose because the discovery is so recent. But the furore over Huggin Hill could have been avoided. City of London planners note that in 1986 Hammerson was given planning permission for the redevelopment of an office block on the site, conditional upon the preservation and presentation of Roman ruins discovered there. Although the Museum of London said that its trial excavations had covered only one part of the site, last year, English Heritage gave Hammerson consent to demolish whatever happened to be there. English Heritage thus gave away the protection that the City had provided for the ruins.

In other words, the law worked at Huggin Hill but it was not thoroughly applied by English Heritage. If there is a lesson to be learnt from the episode it is that initial archaeological surveys need to be more detailed. But the situation could occur again because English Heritage is only in the very early stages of a programme of monument surveys which could take 10 years.

To be sure there will not be many monuments found to fire the public imagination in the way that the Rose and Huggin Hill have done, but there will be some. The best way of ensuring an orderly approach to their preservation and availability to the public could be a public-private sector fund.

It should not be outside the realms of possibility to devise a fund where both the Government and the property industry, notwithstanding their habits of thrift, each agreed to match pound for pound all sums which came from public subscription. It might even be a good idea for the British Property Federation, anxious about public perceptions of the property industry, to take the lead in the matter.

With a block of funds available it is always possible to borrow more when a worthwhile historical project comes up. The property industry is, after all, pretty good at financial engineering. Long-term bonds, single asset companies structured around a particular project – the possibilities are legion when there is somebody to organise them.



Alan Harper

Southwark's Rose Theatre: Imry Merchant has already spent £30m on the site

Rental value growth (%)

	Retail	Office	Industrial	All Property
Year to Dec 88	19.9	27.9	22.2	23.9
Year to Mar 89	18.2	27.9	23.4	23.3
Monthly rate – March 89	1.1	1.8	1.9	1.6

Source: Investment Property Databank

INTERNATIONAL PROPERTY

CLUBS

COMPANY NOTICES

Kingdom of Denmark

US$ 250,000,000
Floating Rate Notes due May 1995

In accordance with the description of the Notes, notice is hereby given that for the interest period May 18,1989 to November 20,1989, the Notes will carry an interest rate of 10 % per annum.

The interest payable on the relevant interest payment date, November 20,1989 against coupon n° 9 will be US $516.67 for each US $ 10,000 Note.

The Agent Bank
KREDIETBANK
S.A. LUXEMBOURGEOISE

SOCIETE NATIONALE DES CHEMINS DE FER BELGES

NATIONALE MAATSCHAPPIJ DER BELGISCHE SPOORWEGEN

USD 75,000,000 Guaranteed Floating Rate Notes due November 1991
Unconditionally guaranteed by
THE KINGDOM OF BELGIUM

In accordance with the provision of the Notes, notice is hereby given that for the six month interest period from May 22, 1989 to November 22, 1989, the Notes will carry an interest rate of 9.8125 per cent per annum. The interest amount payable on the relevant interest payment date which will be November 22, 1989 is USD 2,507.64 for USD 50.000 in principal amount of Notes.

by Generale Bank
Agent Bank

COMPANY NOTICES

NOTICE OF A MEETING OF THE HOLDERS
BANK OF HELSINKI LTD.
(UNION BANK OF FINLAND LTD.) HELSINKI
ECU 38.500.000 9% Subordinated Bonds Due 1996

A meeting of the holders of BANK OF HELSINKI LTD. (UNION BANK OF FINLAND Ltd.), ECU 38.500.000.- 9% Subordinated Bonds Due 1996 (the "Bonds") will be held at the office of UNION BANK OF FINLAND INTERNATIONAL S.A., 189 avenue de la Faiencerie, Luxembourg, on 6th June 1989, at 2.00 p.m. to deliberate on the following agenda:

A G E N D A :

Amendment of the terms and conditions of the Bonds, article "Acceleration of Maturity".

- to delete paragraph (3) which reads at present time as follows"

  " (3) in the event of default by the Bank or any Principal Subsidiary of the Bank in the due and punctual payment of the principal of, or premium or prepayment charge (if any) or interest on any indebtedness of or assumed or guaranteed by the Bank or such Principal Subsidiary when and as the same shall become due and payable, if such default shall continue for more than any period of grace applicable thereto and the time for payment of such interest, principal, premium or prepayment charge has not been effectively extended, or in the event that any such indebtedness of or assumed or guaranteed by the Bank or any such Principal Subsidiary shall have become repayable before the due date thereof as a result of acceleration of maturity by reason of the occurrence of an event of default thereunder."

- to delete in paragraph (4) the words "or any Principal Subsidiary of the Bank";
- to delete in paragraph (7) the words "or any Principal Subsidiary of the Bank", "or any of its Principal Subsidiaries" and "or of any of its Principal Subsidiaries";
- to delete the last paragraph which reads at present time as follows:
  "" Principal Subsidiary" shall mean (a) any subsidiary of the Bank the total assets of which constitute (or have within the previous three years constituted) more than 15% in value of the total assets of the Bank and all its subsidiaries, or (b) any subsidiary of the Bank the net income of which constitutes (or has within the previous three years constituted) more than 15% of the aggregate net income of the Bank and all its subsidiaries."

Resolutions on the agenda of the Meeting will require that at least 50 per cent of the total outstanding Bonds are present or represented at the meeting. Should such quorum not be reached, a second meeting would then be convened. At such adjourned Meeting no quorum will be required.

In the Meeting, a majority of two thirds will be required for resolutions on the items of the agenda.

For the purpose of obtaining voting certificates or appointing proxies the holders are required to deposit their Bonds at the latest two business days prior to the meeting at the office of KREDIETBANK S.A. LUXEMBOURGEOISE, Luxembourg, (attention: Mr. Emile SCHMITZ) or at the above mentioned office of UNION BANK OF FINLAND INTERNATIONAL S.A., Luxembourg, (attention: Mr. Bernard LANCIN).

Proxies should be lodged with UNION BANK OF FINLAND INTERNATIONAL S.A. or KREDIETBANK S.A. LUXEMBOURGEOISE, Luxembourg, two business days before the meeting.

The Board of Management

PARGESA HOLDING S.A.
(Incorporated in Geneva, Switzerland)

NOTICE TO THE HOLDERS OF WARRANTS TO PURCHASE BEARER SHARES OF SFR. 1000 EACH OF PARGESA HOLDING S.A. (THE "ISSUER").

NOTICE IS HEREBY GIVEN to the holders of the above mentioned Warrants that a meeting of the shareholders of the Issuer will take place on May 29, 1989 to consider, inter alia, a proposal to increase the capital of Pargesa Holding S.A. by way of a rights issue.

If such proposal is adopted, Pargesa Holding S.A. will resolve to issue bearer and registered shares, which will be in the first instance reserved to existing shareholders of the Issuer.

NOTICE IS HEREBY GIVEN, pursuant to Section 3.02 of the Warrant Agreement dated July 15, 1986 between the Issuer and Banque Internationale à Luxembourg S.A. acting as Warrant Agent that, if such proposal is adopted, and such rights are issued, the last day on which holders of Warrants may exercise their Warrants to acquire shares of the Issuer entitling the holders thereof to such preferential subscription rights shall be June 9th, 1989 and the Warrants shall not be exercisable during the period from June 10th, 1989 to June 20th, 1989.

On or about June 1st, 1989, notice shall be given in this newspaper of the action taken at the meeting referred to above.

By: BANQUE INTERNATIONALE A LUXEMBOURG S.A.
as Warrant Agent

COMPAGNIE DE SAINT GOBAIN
Public Company with a capital of F 5.743.322.900,-
Registered Office: "Les Miroirs" 18, avenue d'Alsace
92400 COURBEVOIE

R C S NANTERRE B 542 039 532

Participating stock April 1984 of ECU 1.000 each

As the general Meeting provided on May 16, 1989 for the participating stock owners of ECU 1.000 issued in April 1984 by SAINT GOBAIN, could not deliberate, missing the quorum, the participating stock owners are again convened by the board of directors in general Meeting as of May 31, 1989, at 11:45 at the registered office of the Company, "Les Miroirs" 18, avenue d'Alsace in COURBEVOIE (92400). This meeting will enact on the following agenda:

- Board of directors' report on the company's operations for financial year 1988,
- Auditor' report on financial year 1988 accounts and elements for fixing the participating stock yield,
- Fixing the income for the masse entitled representatives.
- Powers for formalities.

To attend the meeting the participating stock owner will have to provide a blocking affidavit issued by the trustee and in order to appoint a deputy at the meeting they will have to add a proxy to this affidavit.
The deposit effected and the power sent for the meeting of the May 16, 1989 still available for the hereby mentioned meeting.

The Board of Directors

PROPERTY INVESTMENT & FINANCE

The Financial Times proposes to publish this survey on:

6th July 1989

For a full editorial synopsis and advertisement details, please contact:

Joanna Dawson
on 01-873 3269

or write to her at:

Number One
Southwark Bridge
London
SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

NOTICE OF MEETING OF MARINE AND GENERAL MUTUAL LIFE ASSURANCE SOCIETY

NOTICE IS HEREBY GIVEN to the Members that the 137th Annual General Meeting of the Society will be held at *MGM House, Heene Road, Worthing,* West Sussex on Wednesday 28 June 1989 at 12.30 p.m. for the following purposes.

1. *To receive the Directors' Report and Financial Statements for the year ended 31 December 1988.*
2. *To consider the election of directors.*
3. To reappoint Peat Marwick McLintock as auditors of the Society and to authorise the directors to fix their remuneration.
4. To transact any other business.

By Order of the Board

J. Sutton, Secretary

Each member may attend and vote in person or by proxy at meetings of the Society. A proxy need not be a member of the Society.

ISSUE OF UP TO US DOL 800,000,000
BANQUE FRANCAISE DU COMMERCE EXTERIEUR
Floating Rate Notes Due 1996 of which US DOL 350,000,000 is being issued as the initial Tranche

In accordance with the provisions of the above mentioned floating rate notes, the rate of interest for the period May 18, 1989 to November 20, 1989 has been fixed at 9.5425 percent per annum.

The interest payable will be US DOL 2,465.15 on each note of US DOL 50,000 and US DOL 12,325.73 on each note of US DOL 250,000.

Banque Internationale a Luxembourg
Societe Anonyme

Fiscal Agent

CONTINENTAL (BERMUDA) LIMITED
US$250,000,000
Floating Rate Notes due 1006
Guaranteed by Hungarian Foreign Trade Bank Ltd

Notice is hereby given that for the Interest Period 22nd May, 1989 to 22nd August, 1989, a period of 92 days, the Rate of Interest will be 9.9375 per cent per annum. The Interest Amount payable on the Interest Payment Date 22nd August, 1989 will be US$ 6348.96 for *each Note of US$250,000.*

Agent Bank
Dean Witter Capital Markets - International

FINANCIAL TIMES CONFERENCES

WORLD GOLD
Lugano, 26 & 27 June 1989

This conference is one of the most popular annual FT events and is well attended whether gold is in a bull market or not. It offers a unique opportunity for mining companies, financial institutions, industrial users, jewellers, finance ministry officials and central bankers to meet together for a comprehensive two day discussion of the industry.

The conference returns to Lugano this year and the speakers include: Robert Guy, N M Rothschild & Sons, John Forsyth, Morgan Grenfell & Co, Brian Marber, Brian Marber & Co, George Milling-Stanley, Consolidated Gold Fields, Donna Pope, United States Mint, Bryan Parker, World Gold Council, David Williamson, Shearson Lehman Hutton, Urs Seiler, Union Bank of Switzerland, Dennis Suskind, J Aron & Co/ Goldman, Sachs & Co, James Cross, South African Reserve Bank, Itsuo J Toshima, World Gold Council, John Hanemann, New York Commodity Exchange, Alfred Schneider, Swiss Bank Corporation, Keith Smith, Mocatta & Goldsmid Ltd and Timothy Green, Consultant to Consolidated Gold Fields.

THE PUBLISHING INDUSTRY IN THE 90s
London, 26 & 27 June 1989

The Financial Times is proposing to arrange a high-level conference to look at the growing internationalisation of the publishing industry and the prospects for newspapers, magazines and books, both in the UK and abroad. Under the chairmanship of Sir Richard Storey and Sir Frank Rogers, speakers leading the debate include: Peter Davis of Reed International; Yves Sabouret of Hachette; Ralph Ingersoll, Chairman of Ingersoll Publications; Rolf Paltzer, Managing Director of G & J of the UK and Michael Turner, Executive Vice President of Thomson Information Services.

WORLD MOTOR CONFERENCE
Frankfurt, 13 & 14 September 1989

Th FT World Motor Conference held biennially in Frankfurt has achieved an impressive position among motor industry events. This year sees a remarkable platform of speakers. Dr Carl Hahn of Volkswagen is to open and Helmut Werner of Daimler-Benz is to deliver a major paper on trucks. John Day of Allied Signal has accepted the invitation of the FT to open the section of the conference devoted to components. Dr Umberto Agnelli of Fiat and Raymond Lévy of Renault are two of the other leading car industry figures who have agreed to speak. Sten Langenius of Volvo Trucks is also on the panel and among the American manufacturers who will be speaking is Jack F Smith of General Motors. Dieter Ullsperger, the financial head of VW, will close the conference which is to be chaired by Don Kress who now advises the International Motor Vehicle Programme at M.I.T.

All enquiries should be addressed to :
Financial Times Conference Organisation,
126 Jermyn Street, London SW1Y 4UJ.
Tel: 01-925 2323 (24-hour answering service)
Telex: 27347 FT CONF G Fax: 01-925 2125

PUBLIC NOTICE

IN THE MATTER of ESLEA HOLDINGS LIMITED AND IN THE MATTER of THE COMPANIES (SOUTH AUSTRALIA) CODE

The creditors of the abovenamed company are required on or before the 31st day of July, 1989, to prove their debts or claims and to establish any title they may have to priority by delivering or sending through the post to the Scheme Administrator at the *undermentioned address an Affidavit* verifying their respective debts or claims. In default they will be excluded from the benefit of any distribution made before such debts or claims are proved or such priority is established and from objecting to any such distribution.

Form of proof may be obtained from the undersigned.

DATED this 19th day of MAY, 1989.

I.D. FERRIER
Scheme Administrator
C/- Ferrier Hodgson & Co.,
Chartered Accountants,
7th Floor, 55 York Street,
SYDNEY, NSW 2000.

Tel: (02) 234 4555
DX: 1122, SYDNEY

Ferrier Hodgson & Co.

LEGAL NOTICES

IN THE MATTER OF THE COMPANIES ACT 1985 and IN THE MATTER OF ALFRED C. WRIGHT (ELTHAM) LIMITED (In voluntary Liquidation)

NOTICE IS HEREBY GIVEN pursuant to Section 594 of the Companies Act 1985 that a General Meeting of the Members of the above named Company will be held at 1 *Wardrobe Place, Carter Lane, London EC4V 5AJ* on Wednesday 31st May 1989 at 10.30 a.m. to be following at 10.45 a.m. by a General Meeting of the Creditors for the purpose of receiving an account of the Liquidator's acts and dealings and of the conduct of the Winding-up to date.

Dated this 28th day of April 1989
P. Granville White
LIQUIDATOR

CAVENDISH COAL (UK) LIMITED

Registered number: 2118724
Trading name:- CAVCOAL
Nature of business: Mineral extraction
Trade classification: Mining & Energy Industries
Date of appointment of joint administrative receivers: 10 May 1989
Name of person appointing the joint administrative receivers: *Barclays Bank Plc*
JOSEPH PATRICK CONSIDINE and ROY ARTHUR JOHNSON
Joint Administrative Receivers
(Office holder nos 056 and 108) of Cork Gully
Churchill House
Churchill Way
Cardiff CF1 4XQ

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
19	20	21	22	23	24	25

OPERA AND BALLET

London

English National Opera, Coliseum. The newest world premiere at the Coliseum is David Blake's comic chamber opera, *The Plumber's Gift*. Lionel Friend conducts, Richard Jones is the producer, and the cast includes Sally Burgess, Eiddwen Harrhy, and Ann Howard. Further performances of Elijah Moshinsky's quirky production of *The Mastersingers*, with Gwynne Howell, Alan Opie, Alberto Remedios and Jane Eaglen; the new, unsatisfying Graham Vick production of *Eugene Onegin*, with Jonathan Summers and Susan Bullock; and *Don Giovanni* in Jonathan Miller's dark, handsome staging, with Steven Page in the title role.

Paris

Grand Palais Des Champs Elysées. Bejart Ballet Lausanne presents in the framework of *La Danse en Revolution* the worldpremiere of *1789...et nous* in alternation with choreographyto music by Theodorakis, Wagner, Ravel and African folkmusic (46787515).

Vienna

The week's performances include *Chowanschtschina*, conducted by Claudio Abbado, with includes Ludmila Schemtschuk, Brigitte Poschner-Klebel and Joanna Borowska; *Tosca*, conducted by Eugene Kohn with a cast including Anna Tomowa-Sintow, Placido Domingo, James Morris; *Maria Stuarda*, conducted by Ion Marin, with a cast including Agnes Baltsa, Mara Zampieri, Georg Tichy and Alexander Maly; premiere of new production of *Die Entführung aus dem Serail*, conducted by Nicolas Harnoncourt, with a cast including Aga Winska and Kurt Streit; *Il Viaggio a Reims*, conducted by Claudio Abbado and sung by Cecilia Gasdia, Noriko Sasaki, William Matteuzzi. Ballet: *Orpheus*, conducted by Ulf Schirmer (51444, ext 2660).

Rome

Teatro Dell'Opera. Francesco Cilea's *Adriana Lecouvreur* produced by Mauro Bolognini and conducted by Daniel Oren. The excellent cast includes Raina Kabaivanska, squeezing every ounce of pathos out of the part of the tragic heroine, Alberto Cupido (Maurizio di Sassonia), Florenza Cossotto and Sesto Bruscantini (461755).

Milan

Teatro Alla Scala. In the series Music of our Time, a new work by Giacomo Manzoni, *Doktor Faustus*, based on the novel by Thomas Mann, produced and designed by Robert Wilson, with costumes by Gianni Versace. The cast includes Nella Verri, Mario Bolognesi, Paolo Barbacini and Sylvia Greenberg (809126).

Berlin

Opera: Theater des Westens. *Rigoletto* in Hans Neuenfels' production features Angela Denning, Ingvar Wixell in the title role and Victor von Halem. Leonard Bernstein's opera *Candide*, newly produced by John Dew has fine interpretations by Jane Giering, Catherine Swanson, Iris Vermillion/Marcia Bellamy, Patricia Johnson, Wolfgang Trautwein and Donald George.

Hamburg

Opera. *Der Rosenkavalier* is sung by Judith Beckmann, Gabriele-Rossmanith, Helmut Berger-Tuna and Franz Grundheber. Harry Kupfer's wholly delightful production of *Belsazar* features Helen Donath, Walter Raffeiner, Harald Stamm and Carmen Anhorn. Also in repertory: *La Traviata* with Miriam Gauci, Giorgio Zancanaro and Peter Haage; *Fausts Verdammnis*, sung in French, with Keith Lewis in the title role, Franz Grundheber, Delores Ziegler and Harald Stamm; *Othello* with a star cast led by Gabriela Benackova, Wladimir Atlantow and Piero Cappuccilli.

Cologne

Opera. Benito di Bella repeats his much praised performance in the title role in *Rigoletto*. Cologne honours the great producer Jean-Pierre Ponnelle, who died last year, by restaging the complete Mozart cycle of seven operas, all produced by him. This week's performances include *Don Giovanni* with Ferrucio Furlanetto in the title role, Ulrich Hielscher, Kjele Magnus Sandve, Carol Vaness and Ashley Putnam. Rossini's rarely performed one act operas *La Cambiale di Matrimonio* and *Il Signor Bruschino*, produced by Michael Hampe will have their premiere this week with Amelia Felle, Janice Hall, Alberto Rinaldi, John del Carlo and Alessandro Corbelli.

Frankfurt

Opera. *Der fliegende Holländer* has Simon Estes outstanding in the title role, Lisbeth Balslev, William Cochran and Harald Stamm. *Fire* is danced to music by Laura Dean, Jean-Jacques Palix and Tom Willems and danced to choreography by Laura Dean, William Forsythe, Daniel Larrieu and Amanda Miller. *La Bohème* returns with a star cast led by Fiamma Izzo d'Amico, Maren Huffstodt, Keith Olsen and Ryan Schexnayder. *Dido und Aeneas* rounds off the week.

Munich

Opera. This week's highlight *Le Nozze di Figaro* stars Margaret Price, Ann Murray, Helen Donath, Alfred Kihn and Allan Titus. *Tosca* will be conducted by Anton Guadagno. *Il Barbiere di Siviglia* will have its premiere this week with Julie Kaufmann, Cornelia Wulkopf, Robert Gambill and Thomas Hampson. *Rigoletto* has a first rate cast led by Francisco Araiza, Mariella Devia and Juan Pons.

Bonn

Opera. A concert version of *I Puritani* with Piero Cappuccilli, Edita Gruberova, Robert Scandiuzzi conducted by Miguel Gomez Martinez. *Tannhäuser* stars William Johns, Hans Sotin, John Broecheler, Nadine Denize and Gabriela Benackova. *Ariadne auf Naxos* is sung by Helena Doese, Edita Gruberova, Peter Lindroos and Susanne Mentzner.

New York

New York City Ballet. The 90th New York season continues with mixed programmes featuring *Swan Lake*, *Afternoon of a Faun* and Balanchine's *Danses Concertantes*. Ends June 25. Lincoln Center New York State Theatre (877 4700).

Tokyo

Ballet Antonio Gades. Carmen (Tues, Wed, Thurs) Shinjuku Bunka Centre (235 1661.

MUSIC

London

National Symphony Orchestra, conducted by David Coleman, with Andrew Haigh (piano). Tchaikovsky. (Fri) Barbican Hall (636 8891).
Amsterdam Concertgebouw, conducted by Mariss Jansons, with Stephen Bishop-Kovacevich (piano). Brahms, Sibelius. (Sun) Barbican Hall (638 8891).
Royal Philharmonic Orchestra, conducted by Andrew Litton, with James Galway (flute). Barbican Hall (638 8891) (Sun).

Paris

Orchestre National de France conducted by Vaclav Neumann, with Elizabeth Leonskaja, (piano). Smetana, Mendelssohn, R. Strauss,Martinu (Wed) Salle Pleyel (45630796).
Groupe Vocal de France conducted by Guy Reibel, Martial Solal,(piano). Palestrina, Brahms, Tisne, Solal (Wed) Centre GeorgesPompidou (42771233).
Orchestre de Paris conducted by Daniel Barenboim. Mstislav-Rostropovitch, (cello). Dvorak, Brahms (Thur) Salle Pleyel (45630796).

Berlin

Berlin Philharmonic Orchestra conducted by Andre Previn. Haydn,Shostakovitch. (Fri) Philharmonie.

Vienna

Wiener Fest Wochen will dominate the scene over the next few weeks having opened on May 11 and continuing to June 18.
Wiener Kammerorchester, conducted by Manfred Honeck. Haydn, Mozart, Chopin. Konzerthaus. (Fri).
Wiener Philharmoniker, conducted by Carlo Maria Giulini. Haydn, Brahms. Musikverein. (Sat, Sun).

Milan

Claudia Antonelli (harp), Bruno Cavallo (flute), and Carlo Bruno (piano). Bach, Boieldieu, Petrassi and Fauré (Sun) Teatro alla Scala.

Rome

Rafael Frubeck de Burgos conducting Falla (Fri) and Michel Plasson conducting Ravel. (Sun, Mon and Tues). (6541044) Auditorium in via della Conciliazione.
Mischa Maisky, (cello) Bach, (Wed) (393304) Teatro Olimpico.

Amsterdam

Murray Perahia (piano). Beethoven, Rachmaninov, Schumann, Liszt (Sun). Concertgebouw (718 345).

Utrecht

Radio Symphony Orchestra and Broadcasting Choir, with Rachel Ann Morgan (mezzo), Kenneth Montgomery conducting. Holst, Vaughan Williams, Elgar, Walton, Britten (Sat).

New York

New York Pops conducted by Skitch Henderson and hosted by Liz Smith celebrating the group's sixth anniversary with a gala mixed programme. Carnegie Hall (Mon) (247 7800).

Washington

National Symphony Orchestra conducted by Paavo Berglund with Joseph Swensen (violin). Sibelius, Nielsen. Kennedy Center Concert Hall (Tue) (254 3776).

Tokyo

Vienna String Quartet. Haydn, Mozart, Schubert. Suntory Hall (Mon) Schubert, Beethoven, Berg. Tokyo Bunka Kaikan, recital hall (Thurs) (496 5880).

THEATRE

London

Hamlet (Olivier). This picturesque Renaissance revival by Richard Eyre for the National Theatre is a disappointment, though Daniel Day-Lewis may improve with experience in the role. Judi Dench is a muted Gertrude, Michael Bryant a superbly busy and dangerous Polonius. Fullish text, but no emotional or intellectual fire. May 25-June 1 (928 2252).
Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit. (834 1317, cc 836 2428).
Icecream (Royal Court). Caryl Churchill's new play is a dense 70-minute meditation on a transatlantic misalliance between two Americans and their distant English relatives. An intriguingly murderous exercise in style. (730 1745).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).
Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

Washington

American Juke Box (Ford's). Music from the 1950s and 1960s is performed by a dozen-strong ensemble directed and choreographed by Edward Love. Ends May 28.
Sophisticated Ladies (Kennedy Center Opera House). The first Soviet-American co-production of a Broadway musical features an energetic cast dancing and singing to a Duke Ellington score highlighted by Satin Doll and Take the A Train. Ends May 27 (254 3770).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Tokyo

Kabuki. Kabuki-za Theatre (541 3131). The main work in the matinee programme (11am) is often known as the *Women's Chushingura*, because of its resemblance to the famous story of the vendetta of the 47 loyal samurai. One of the pieces in the evening programme at 4.30pm, *Sesshu Gappo ga Tsuji (Gappo and his daughter Tsuji)*, was banned as late as 1937 for its immorality.

EXHIBITIONS

London

The Tate Gallery. Cecil Collins and F.E.McWilliam – retrospective shows side by side of two senior British artists: Collins a highly idiosyncratic visionary and symbolist painter with a particular interest in the idea of The Vision of The Fool, on which he has also written extensively; McWilliam an early follower of Moore, but one whose no less idiosyncratic surrealist vision has led to the achievement of the most particular and varied oeuvres in modern British sculpture: both shows until July 19; McWilliam sponsored by Ulster TV.
The Barbican Gallery. 100 years of Russian Art – a curious exhibition drawn from private collections in Russia, itself something of a surprise. As a survey it promises much more than it delivers, but in the earlier period of the generations immediately before and after the Revolution of 1917, it has much to offer. Until July 9.
The Royal Academy. The Royal Treasures of Sweden 1550-1700. An exhibition that sounds somewhat dry and daunting but is in fact a wonderful spread of riches, beautifully presented, trophies drawn from across the *whole of Europe in the time of* Sweden's abrubt emergence as a European power. Arms and armour, gold and silver: but most delightful, perhaps are the fabrics, most of all the complete and heavily brocaded caparisons that might be taken straight from the great equestrian state portraits of Velasquez. Daily until June 18; sponsored by Gamlestaden.

Paris

Carte Musées et Monuments sold in museums and Metro stations enables visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles Palace.
Grand Palais. The French Revolution in Europe. A vast exhibition organised by the Council of Europe tries to situate the French Revolution in the social and political context of Europe as a whole. Over a thousand paintings, sculptures, engravings, objets d'art and everyday objects lent by 15 countries retrace the pre-revolutionary splendour of European courts and the aristocracy as opposed to the laborious life of the peasants. The fall of the Bastille, the symbol of the Revolution, is richly documented, as is the political influence of artists who, by representing the heroes of antiquity indirectly bestowed the Roman Republican virtues on an idealised contemporary reality. A visual representation of the Human Rights Declaration becomes a cornerstone of the revolutionary iconography. The exhibiton ends with images of the seizure of power and restoration of an authoritarian regime. Closed Tue. Late opening night Wed. Ends June 26 (42895410).
The Louvre. Les donateurs du Louvre. Aptly, the newly refurbished museum inaugurates the 1,200 square metres of space created underground for temporary exhibitions by expressing gratitude for the generosity of donors throughout its existence. What would the Louvre be without Rembrandt's Bethsabee, Goya's Marquise of Solana or without the odalisques in the Turkish Bath by Ingres? Without the Greco-Roman silverware from Boscoreale, the towering effigy of King Amenophis IV or Cressent's 18th century Commode with a Monkey? Between the first gift — a 17th century Dutch genre scene A Dropsical Woman bestowed by a young officer in 1798 and the last offering — Saint Thomas by Georges de la Tour purchased thanks to a public subscription in 1988, 350 works chosen from among tens of thousands show the excellence and variety of donations which enriched the original royal collections. Even the Venus de Milo entered the Louvre as a gift, though she has not been moved for the exhibition. 12am to 10pm, all days except Tuesdays. Ends August 21. Entry through the Pyramid, Hall Napoleon, Niveau Accueil.
Galerie Schmit. French masters of the 19th and 20th century.The traditional yearly exhibition in the three-storey town house shows the richness and diversity of the period covered. An exceptionally cheerful Courbet – the Sleeping Peasant woman with round red cheeks and a red bodice is only a few paces away from a small Corot, Games in Greece, poetical in its Italian light. Nicolas de Stael's flowers in a flat-rendered shiny red flowerpot spread their green leaves in generous broad brushstrokes against a black background next to Signac's ships leaving a harbour, where the mood and the subject are expressed through a multitude of carefully applied small pastel coloured dots. There is an explosion of colours from the *fauves*, as well as a small early Picasso, a conversation piece, so genuine in its attitudes. 396, rue Saint-Honoré (42603635), closed lunchtimes and Sundays, ends July 19.
Goethe Institut. Munich 1937 – l'Art Diffame, l'Art Acclame. Photographs, documents, reproductions and originals evoke theshock of the famous pre-war confrontation of two exhibitions opposing the avant-garde artists who have since become the great names of modern art, considered as degenerate, and the traditional German painters, all clean limbs and moral valuesin a brutal exercise of Nazi propaganda. 17 Ave d'Iena (47236121). Closed Sat, Sun. Ends June 15.
Galerie d'Art Saint Honoré. 16th and 17th century Flemish paintings. Amid the exuberance of *flowers and fruit typical of Flem*ish still lives, a painting totally different in spirit is the central piece of the exhibition. A young woman holding a dark red carnation gazes at us with such gravitas that the symbols – the prayer book that of piety, white linen of purity and a golden chain round her neck of fidelity – become secondary. Painted in 1530 by Bartholomew Bruyn the elder, the work exemplifies the artist's gift for portraying the sitter's inner self. 267, Rue Saint-Honoré (42601503). Closed Sat, Sun and lunchtimes. Ends July 13.

Amsterdam

Masstrict, Bonnefanten Museum. The finest of the early Italain paintings in Dutch collections have been gathered together in a show containing works by Duccio, Guido da Siena, Filippino Lippi, Bellini and Carlo Crivelli. Ends July 9.

The Hague

Museon. The World of Anne Frank sets Anne's life in the context of her time with more than 500 photographs and a video show. Ends May 28.

Brussels

Palais des Beaux-Arts. Art Deco in Europe. Tues-Sat, closed Mon. Ends May 28.
Archives Generales du Royaume. Witches in the Netherlands, 16-17 centuries (closed Monday).
De Jonckheere Gallery. Exhibition of works by Alechinsky, Brueghel, Magritte and Spilliaert. Ends May 27 (512 9948).
Galerie CGER. The *Heritage of* the French Revolution 1794-1814. Daily; ends June 11.

Frankfurt

Je Suis le Cahier, the sketchbooks of Picasso. This exhibition of 40 sketchbooks and around 200 paintings, organised by the New York based Pace Gallery and sponsored by the American Express company, will have its second stop here in Frankfurt on the European tour. These fascinating sketchbooks, owned by Picasso's family have never been shown in public before. All styles and periods in his working life are represented here. These books cover around 70 years of his life; his start in Spain of the turn of the century, the cubism period before the First World War, and followed by the period from 1920 to 1965.

Berlin

Willi Baumeister (1889-1955). To commemorate the 100th anniversary of the German abstract artist's birth there are 140 works from all periods of his working life to be seen until May 28. Nationalgalerie, Potsdamer-Strasse 50.

Cologne

Bilderstreit. Rheinhallen der Kölner Messe, Messegelände. Deutz. The two organisers Johannes Gachnang and Siegfried Gohr, present "contradictions

Continued on Page 15

ARTS

Alastair Muir

Alec McCowen and Nichola McAuliffe

Witness our native obsession

Susan Moore reviews British paintings at the Leger Gallery

IT IS often remarked that the British are *only* interested in portraits of themselves, their houses and their horses. The British paintings at the Leger Galleries witness the native obsession for portraiture – and the 18th century portrait painter's obsession for Van Dyck.

Full-length tours-de-force and Grand Tour portraits dominate this impressive stock exhibition of the familiar, the little known and the newly attributed, leavened by a sprinkling of conversation pieces and landscapes. The deck of museum-quality pictures remaining in private hands is regularly reshuffled.

From the collection formed by Sir Joseph Robinson comes familiar works by Gainsborough, and Reynolds' full-length portrait of the serene Mrs Matthews, much refreshed by recent cleaning, in oyster-pink silk and set in a boldly painted summer landscape, an exuberant spaniel leaping at her feet. As familiar, if not exhibited since its RA debut in 1825, is the finest of Lawrence's portraits of George Canning. Few artists have ever been able to match Lawrence's bravura handling of paint.

A number of canvases are taking an encore. Romney's monumental, classicising double portrait of the solemn, pink-cheeked Cornewall children, *last* seen in England on the Leger stand at Grosvenor House in 1949, was among the British paintings de-accessioned by the Kimbell Art Museum in 1987. Works bought back by Devis (the Parker Conversation Piece) and Hayman (his joyous rustic figures dancing) are arguably the artists' finest hours.

Here, too, is Hoppner's splendid *full-length of Sir Foster Cunliffe*, founder of the Royal Society of British Bowmen, painted bow in hand and before the artist fell under Lawrence's spell. Nathaniel Hone's tender double portrait isthought to be of the young Lord Seaforth (a beguiling little milord turned roué) with his tutor. J.R. Cozens is at his most poetic.

But by far the most intriguing exhibit is the group portrait of the Fountaine family, bought at auction as "English School" and here convincingly attributed to John Singleton Copley. Copley, the most gifted painter the American colonies had yet produced, was almost entirely self-taught, learning his craft from mezzotints. Encouraged by Reynolds and his compatriot Benjamin West to study in Europe, he spent six weeks in London in 1744 before travelling to Rome, via Paris and Florence.

What has always seemed extraordinary about Copley is his prodigious talent to learn quickly. His painting, strangely, shows no interim transitional period between the somewhat stiff though perceptive provincial portraits painted in Boston, only one of which was full-length, and the sophisticated, imaginatively composed and large-scale conversation pieces executed in *1777/78* after his return to England.

This family group seems a likely candidate for the canvas entitled "A Conversation" we know he submitted to the RA in 1776. Copley has learnt his lessons from Zoffany and Batoni; adopting the former's clarity, precision and high colour, and the kind of naturalism and informality that would appeal to English patrons. There remains an awkwardness in the figures and *anatomical weaknesses that were* resolved by *1777*, and the provincial painter's delight in giving equal finish to the whole canvas.

A number of the compositional and stylistic features are characteristic of Copley's entire ouevre: a penchant for elaborately patterned carpets and for dramatic shadow (painted an all-purpose hue regardless of local colour), glinting highlights and brilliant whites. Moreover, there are two drawings in the Courtauld collection, undisputably preparatory studies for the small boy, which have traditionally been given to Copley and are comparable with other preparatory drawings of the period.

The problem, both academically and commercially, is that Copley's authorship cannot be proven. Access has not been granted to the Fountaine family archive at Narford. The author of the major study on Copley does not accept as autograph either the painting or the drawings (though other scholars do), and that is enough to make any holder of a large purse, public or private, extremely nervous.

If the Leger attribution is correct, the painting is a fascinating document in the development of the greatest 18th century American painter. As it is, it is suspended in a twilight limbo – a predicament more familiar to the world of Old Master dealing. The directors of the gallery hope that exhibiting the canvas may bring new evidence to light.

The exhibition continues at the Leger Galleries until June 2.

John Hoppner's portrait of Sir Foster Cunliffe

The Heiress

CHICHESTER FESTIVAL THEATRE

The issue is no longer how faithfully does this stage version of *Washington Square* summarise Henry James's elegant novella, but what is the mileage remaining in a 1940s melodrama by Ruth and Augustus Goetz that must obviously offend fastidious literati and dour members of the Save Good Books From The *Stage and Screen Society* (President, Dr J Miller, The Old Vic; Hon Sec., M Billington, The Guardian).

I must confess to having been bamboozled on the subject a few years ago at a regional theatre revival. Do not risk seeing this play, I opined, unless you want to age by 50 years in *a single* evening.

Vivian Matalon's Chichester revival, however, reveals the piece, in sturdier circumstances, to be notably well plotted, with almost every single line advancing or complicating the triangular love mismatch between the widowed, wealthy Dr Austin Sloper, his gauche and socially cowed daughter, Catherine, and the impoverished gentleman caller, just back from Europe, Morris Townsend.

The action is entirely contained in the front parlour of the house on Washington Square (designed in conventional proscenium stage style by Saul Radomsky). Two visiting aunts are the sounding boards for the main trio's hopes and caveats. The Jamesian spring is preserved of a father being unable to forgive a child whose birth caused the death of the woman he loved; and his inability to see a prospective suitor for Catherine as anything but a fortune-hunter.

Acting opportunities abound. Olivia de Havilland gave an unforgettable Oscar-winning performance in the 1949 film, while, in the same year, Ralph Richardson and Peggy Ashcroft scored big personal successes in London. The pregnant corniness of the lines is a quality peculiar to this era of costumed film and stage drama. The Chichester pairing of Alec McCowen and Nichola McAuliffe is remarkable in both dealing with that quality and injecting a quite modern harshness into the proceedings.

Trying to look smart in the cherry red dress style of her mother, Catherine is frozen to *the spot* by *Sloper's* casual "Yes, but your mother was dark; she dominated the colour." McCowen's polished style and easy, rasping sarcasm convey a terrifying manner of habitual cruelty. The dry, crisp, callousness is turned on Morris, too, with a veiled suggestion as to where he might try and *improve himself*: "I hear the West is opening up."

The nastiness mellows only into a gnawing dissatisfaction as his grip on life visibly weakens. The comedy of this did not hit home on Wednesday night, but the final scene is wonderfully done, the bizarre self-examination on the sofa with the Parisian stethoscope followed by the matter-of-fact ordering of his own deathbed comforts, as if these were a business lunch. I protest only at McCowen's wig, which is too bushy and which sticks out like an unruly hedge behind.

McAuliff'e wig is plastered down and crammed in a bun to remind us of her scatty young Queen Victoria in *Poppy*. Otherwise, she plays the ugly duckling routines to the hilt, quick rays of sensual possibility obliterated in the sombre drawing of the curtains, which can only be mimed on the Chichester thrust. This is a very fine and daring performance.

Ian Buchanan plays Morris as a Scots ne'er-do-well with a give-away smile, and the aunts are efficiently taken by Valerie Colgan and Phyllis Calvert, the latter transforming a role of fussing observance into one of meddlesome agitation.

Michael Coveney

Mackerras's Handel

BARBICAN HALL

The gentle manner with which the strings caressed their first *lyrical phrases, together* with the mellow sound of the solo flute, staked out the stylistic ground of the concert from the opening item. This was Handel at his most flexible and expressive, performed by the medium-sized orchestral forces that opened the door to the world of the Baroque for so many in the *late 1960s and early 1970s.*

Since then fashions have changed and Charles Mackerras, never one to be far from the forefront of the latest musical research, has changed with them. On recent recordings he can be found directing Schubert and Mendelssohn on period instruments, but for this varied programme of Handel he was back with the English Chamber Orchestra and drawing from them playing that made up in expressive freedom what it lacked in electricity.

Among a mixture of operatic, choral and instrumental pieces was a brief reminder of one notable night of Handelian glory. The ENO production of *Julius Caesar numbers among* the most memorable of Mackerras's encounters with this composer and his Cleopatra, Valerie Masterson, was here to sing "Se pietà" with hardly less moving a fragility of tone than she used to on stage. Only in the fast triplets of the Mirror Aria from *Semele* did the voice lose some of its old *purity*.

It was the solo singing that equally produced the most effective moments in a pair of the Chandos anthems. The counter-tenor Christopher Robson and tenor John Mark Ainsley provided some perfectly matched singing in their mournful duet from "As pants *the hart", while Mark Oldfield* was the bass and Valerie Masterson again the soprano in "O Praise the Lord". The Tallis Chamber Choir, not large but forceful in projection, was ideal in choral weight, even if in their music one yearned, after all, for more of the abrasiveness of Hogwood or Eliot Gardiner.

At this point, however, the evening belatedly flared into life. With the first of the hero's mad scenes from *Orlando*, sung by Robson with no sparing of the music's daring juxtaposition of moods, a new dramatic power seized the audience's attention. What a grippingly theatrical score this is. If *Mackerras and Handel are to* meet in the Strand again, or at least near it, this is the opera ENO might choose to bring them together.

Richard Fairman

Cleopatra and Antony

LYRIC STUDIO, HAMMERSMITH

The reversed title, the information that the play is "adapted from William Shakespeare" by the Actors Touring Company, and advance notice that the emphasis would be on Cleopatra's side of the story provoked worries. In the event, I suspect this niftily snipped and rearranged version of Shakespeare's tragedy was prompted by a minuscule cast. Whatever the motives, the result is some of the clearest and most *intelligent* Shakespeare playing for some time.

The opening reveals how Paul Brown's design, with limited resources, can evoke Hollywood sumptuousness. The reference is deliberate, for the almost kitschily exotic costumes, complete with peeping navels, of the fan-waving slaves and gold-clad queen, are topped with 1930s hairstyles. Antony wears a three-piece suit. The deserted Octavia is thin-lipped in a Hedda Hopper hat.

The stepped dais covered with rich fabric turns out to be a block on wheels that can be trundled to any position; it becomes the Monument where Cleopatra and her ladies perch. The elegantly draped back curtain is partly torn down at the angry Antony's "I'll leave you *lady!" When the bitter Octavia* pulls down the rest of the finery the small cast is occasionally seen changing against the bare back wall (Juliet Prague's Charmian in correct pre-war underwear and stockings).

The trappings of romantic popular myth are set up and peeled away again. An intense *love duet remains. The rest of* the world is dealt with by Iras and Charmian; typical is the moment when the two women exclaim "Rome!" and fling sheets, toga-like, over themselves to become Caesar and Lepidus.

The four-strong cast (!) of Malcolm Edwards' production – three women, one man – inevitably turns a glaring spotlight on the central relationship. Luckily the performers are tremendously gifted. Pauline Black and Patrick Wilde, getting even better as the evening progresses, both excel in high-flown emotional intensity. Mr Wilde hardly looks the near-godlike potential master of the world (he bears a fleeting resemblance to Antony Sher). But the sheer intelligence, clarity and attack of his approach carry the day.

Alastair Muir

Pauline Black and Patrick Wilde

Miss Black's Cleopatra is potentially marvellous, with a facially mobile beauty that embraces haughtiness, ferocious anger and melting tenderness. To be ungrateful about her crystal clear diction, I would suggest *that* her fleet, light delivery could do with a mite more variation in rhythm and intonation; but she never makes the mistake of identifying emotion with portentousness. Her two ladies turn their hands confidently to a variety of roles; Susan Henry's Iras is particularly touching as the thin-lipped Octavia.

Martin Hoyle

Faust

THE DOME, BRIGHTON

The 1989 Brighton Festival is in mid-course. Tricolours are waving on flagpoles and posters: a 1789 theme is in evidence, though not reflected in most of the musical events in the programme. *Faust* is more prominent there – Berlioz's (conducted by Simon Rattle) at festival end, and Gounod's opera currently on show as the annual festival presentation of New Sussex Opera.

In the Dome, in Stephen Medcalf's production and Anthony Baker's designs, and conducted by David Angus, the Gounod emerges a winner, a delight almost from beginning to end. I must keep a sense of proportion here: standards appropriate for judging the same work in London big-*house performances would* hardly be relevant.

Yet the pleasure of seeing and hearing the New Sussex Opera forces (amateur chorus, National Centre for Orchestral Studies Orchestra) so intelligently and imaginatively used is of a quite special kind. There is a particular freshness about *it. The spoken-dialogue version* (in Edmund Tracey's translation) established for Ian Judge's 1985 ENO production is used, and the foursquare feeling of *Faust* as an amateur opera society perennial is banished. The strengths of the opera are highlighted – indeed, at Brighton, as at the Coliseum a couple of seasons ago, it becomes clear that in its original form the tired old *cheval de bataille* gains a new lease of life.

The Dome's difficult working space – two-tiered audience layout, triangular "stage" with no wings and minimal back extension – has here provided the stimulus for an economical and exciting brand of popular opera. Props are vestigial but finely chosen, and poised to taken on added significance at the right moment – the movement of "stage" curtain gains ever-increasing suggestiveness, and even the troupe of little girls in white (that hardiest of modern opera-production clichés) becomes a poignant symbol by the end.

Like Ian Judge at the Coliseum, Mr Medcalf argues his production in the language and terms of Victorian Values, and his wit and irony in doing so are likewise not lacking. But there is no Conceptual heaviness or obviousness; the fleetness of the staging lies in its sense as well as its movement. The fact that amateur choristers are fitted into the picture with such ease, and with no outcrops of "acting," speaks volumes for Mr Medcalf's skill.

Cathryn Pope, the Marguerite, shows fresh bloom on her soprano with each new role; *for Gounod her limpid manner* of phrasing and lovely delicacy of line are native qualities, and only a little more glitter could now be invested in the Jewel Song. Faust is that pleasing young lyric tenor Justin Lavender; his voice, too, is developing new resources of colour and malleability, and its ease *at the top prevented familiar* moments of climactic twinge in the Cavatina.

The same unforced style of singing, which brings out the beguiling simplicities of Gounod's melody, was a hallmark of Louise Winter's first-rate Siebel and James Meek's Valentin (though he needs to project his tones with more forward focus). Roger Bryson as Mephistopheles had less suavity of voice to offer, but his presentation as a yellow-suited, white-faced Sporting Gentleman of Victorian music hall was quite brilliantly devised and brought off with immense gusto. Elizabeth Bainbridge's Dame Marthe is a treasurable cameo.

This is New Sussex Opera at its best. Two more performances, this weekend.

Max Loppert

ARTS GUIDE May 19-25

Continued from Page 14

and contrasts as the essential source for the debate about contemporary art". This exhibition is in contrast to avantgarde: it explains areas of action and attempts to provide an unprejudiced outlook on the current art scene. Approximately 1,000 works by 130 artists concentrate on art since 1960. The show should give a detailed view of different art styles, with "old classics" of modern art next to works by contemporary artists. Among them are Gilbert and George, Kasimir Malewitsch, Blinky Palermos, Carl Andres, Edvard Munch, Markus Luepertz, photographers Bernd and Hilla Becher, Joseph Beuys and Dadaist painter Marcel Duchamp, John Baldessaris and Georg Baselitz. There are also works from William Copley's collection by Duchamp, Man Ray, Max Ernst and Rene Magritte. Ends July 2.

Stuttgart

Staatsgalerie, Konrad-Adenauer-Str. 30-32. Salvador Dali: (1904-1989). Stuttgart presents the biggest Salvador Dali retrospective since his death earlier this year, to honour him on his 85th birthday. 350 works from *all periods of his working life* and from several collections, museums, galleries, from all parts of the world, except the Teatro-Museo in Figueras, his home, are to be seen. The exhibition, organised by Mrs Karin von Maur, who tries to explain howDali's works can combine with the postmodern period, concentrates on his works from the 1930s (surrealism). Among them are pictures which have not been shown in public before. Ends July 23.

Vienna

Messepalast. A thoughtful exhi*bition, called the History of the* Modern Mind, deals with the works of Sigmund Freud as well as the plethora of artists who grew up in Vienna at the turn of the century. Ends August 6. The Benedictine Monastery in Melk, an hour's drive from Vienna, celebrates its 900th anniversary. Besides a fascinating collection of paintings, books and later, newspaper cuttings, the Abbey boasts the finest baroque architecture in this part of Europe. Until November 15. The Kunstforum, a new art gallery run by the state-run Leanderbank, makes its debut with the Leopold collection, a Viennese who bought several paintings by Egon Schiele, one of the leading lights of Vienna's fin-de-siècle, for next to nothing in the 1950s. There are some wonderful Klimt sketches and Kokoschkas. Well worth catching. Ends June.

Rome

Accademia di Spagna. The Mirós of Miró: More than 100 works by Joan Miró, including ceramics, drawings and watercolours *and oils, which had been kept* in the artist's studio in Majorca until his death in 1983. Until June 4.

Galleria Nazionale d'Arte Moderna. The Sonnabend Collection contains a little of everything, from pop-art with some of the best-known works of Warhol, Lichtenstein, Jim Dine, followed by examples of American minimal art *(Flavin, Judd, Morris)*, to conceptual art and *Arte povera*, with works by Gilbert and George, Paolini, Merz, Pistoletto and Kounellis, ending with curious examples of German neo-expressionism. Ends Oct 2.

Venice

Museo Correr. French impressionists from the Mellon collection at the National Gallery of Art in Washington: more than 40 works, among which are delights such as Courbet's seascapes, Seurat's La grande Jatte, and Renoir's Madame Monet and son (ends Sept 4).

Palazzo Grassi. Italian Art: 1900-1945. A much-amplified exhibition covering a briefer period than did the recent show at the Royal Academy in London, organised again by German Celant, with the director of Palazzo Grassi, Pontus Hulten. An attempt is made to put the works into a clear political and social context, emphasising links with contemporary literature, music and cinema. The exhibition ends with two blown-up stills from films by Visconti and Rossellini. Ends Nov.

Turin

Mole Antonelliana. Carlo Mollino (1905-1973): his home town pays homage to this eccentric and *eclectic architect and designer*, much influenced by surrealists such as Cocteau and Man Ray, who waged a constant battle in the 1940s and 1950s against the reducing of modern design to empty conventionalism. On show are drawings, photographs, letters, and scale models of architectural projects, left by the artist to the city, as well as furniture *and objects lent by private* collectors. The exhibition transfers to the Beaubourg at the end of June (ends June 11).

New York

Whitney Museum. The 65th in the long series of Annuals and Bienniales features a large group of lesser-known artists among the 80 represented on three floors of galleries. Ends July 9.

Metropolitan Museum of Art. Goya and the Spirit of Enlightenment explores 160 of the artist's works in relation to his impact on contemporaries and the rationalist modernisation of Spain. Ends July 16.

Washington

National Gallery. More than 160 objects from the Fitzwilliam Museum in Cambridge include paintings by Titian, Guercino, Rubens, Van Dyck and William Blake. In addition illuminated manuscripts, ceramics and bronzes *show off a collection* that is considered "perhaps Britain's pre-eminent museum." Ends June 18.

Tokyo

Idemitsu Museum. Ceramics from China. Splendid loan exhibition from the Art Institute of Chicago featuring carved orna*ments, ceramic water pots and* incense burners, and ranging from the neolithic period to the Qing Dynasty. Refreshments are available and there is a fine view of the imperial palace moat. Closed Mondays.

Riccar Museum. 120 years of Japanese Landscape. Ranging from traditional woodblock prints to oils, this small but representative *exhibition traces the changing* feelings towards landscape in Japan in the modern era.

SALEROOM

Record for Chinese artist

There were records galore in the world's auction rooms yesterday. Perhaps the most interesting was the £149,600 paid at a Sotheby's sale in Hong Kong for "Ruins of Gaochang" by Wu Guanzhong: it was a record for a painting by a living Chinese artist. There was keen bidding between Chinese from Hong Kong and Taiwan and from Americans who have traditionally been active in this field. The sale totalled £2.29m, a record for Modern Chinese paintings and ended a very successful week for Sotheby's in Hong Kong which produced a grand record total for Chinese works of art of £28m (HK$350.4m).

A wooden doll dating back to around 1680 sold for £71,500 at Christie's South Kensington yesterday to a private collec*tor. It was the highest price* paid at auction for a 17th century doll but one made in 1909 fetched £90,200 at Sotheby's earlier this year.

With her pink rouged cheeks and blonde curls the doll is very much a lady of fashion, despite missing her feet and wearing clothes dating from the 18th century. A red Teddy Bear made for the cousin of the last Tsar was bought at the same auction for £12,100 by Teddy Bears of Whitney. Young Xenia Georgievna was kept in England by the outbreak of the First World War and survived: her father, who gave her the Teddy, was shot.

Sotheby's had a setback with its auction of music, continental manuscripts and books. The main lot, Turgenev's working manuscript of *Fathers and Sons* had been sold privately to the Soviet Government during *the London visit of Mr and Mrs* Gorbachev. The second most important item, an extensive, 6,000 page, literary archive, of Odön von Horvath, the Austrian dramatist, was unsold at £280,000, even though the archive contained manuscript and typescript drafts of almost all his major works, including *Tales from the Vienna Woods.*

In contrast two friendly letters from the late Emperor Hirohito of Japan to the King of the Hellenes in the 1930s each made £33,000, as against top estimates of £2,000, while Antoine de Saint Exupery's corrected typescript to *Le Petit Prince* sold for £15,500.

Meanwhile in New York Latin American art is proving very popular, with keen bidding from South Americans and others. A typical portrait of a fat girl, entitled "Princess Margarita after Velasquez", by the Colombian artist Fernando Botero, sold for a record $440,000 (£273,292) in a Christie's auction which made $5.5m. (£3.4m), another record, beaten within hours by Sotheby's sale in the same sector which totalled £4.46m. Top price here was the £373,087 paid twice for two paintings by Diego Rivera both entitled "Nude with flowers".

Antony Thorncroft

FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700

Friday May 19 1989

China on the brink

CHINA COULD be on the verge of a new revolution. Less than a week ago, a small group of Peking students, most under 21, marched into Tiananmen Square, college flags flying and headbands proclaiming "hunger strikers." They sat down solemnly in front of the monument to the heroes of the revolution – declaring they would not give up their fast until China's leaders agreed to their demands for more democracy.

In these few days, they have changed the face of China. Although student protest marches began after the death of Hu Yaobang five weeks ago, the crunch has come this week. Yesterday huge but still-peaceful demonstrations choked Peking and a score of other cities, including China's largest, Shanghai, bringing them almost to a standstill. Student determination seems almost about to bring China's elderly Government to its knees.

Student salvoes against the nepotism, bureaucracy, lies and conservatism of the leaders have struck a chord with most of Chinese society. The police, and even, if the rumours around Peking are to be believed, the army, are unwilling to use strong-arm methods to retore order. There is some hope that the modernisation of political thought that the Chinese have looked for in vain for about 100 years could now be on the way.

Struggle for power

But a life and death struggle for power is still being fought out behind the Ming vermilion walls of Zhongnanhai, the party headquarters. China's leaders must be raging over who or what must be sacrificed to restore their control, but the students are determined the leadership must change.

In the last couple of days student demands have begun to focus on getting rid of Deng Xiaoping, the 84-year-old leader, and preferably the Prime Minister, Li Peng, as well. They have other requirements, such as open dialogue with the leaders and freedom of the press, but if they could shake out the conservatives, these would be much easier to achieve.

The hunger strike has begun to put serious pressure on the leaders. Public sympathy is entirely with the strikers. A death among the students would raise the temperature enormously. Student supporters have humiliated the leaders in front of President Gorbachev, whose visit to Peking this week was completely overshadowed by the demonstrations. The students have paralysed Peking's transport and look set to do the same to the economy by calling the workers out on strike.

Deng's achievement

Deng may have to go. No one denies him the credit for inspiring China's economic reform 10 years ago. But he has not the flexibility – and the inclination – to embark on real political reform.

He ordered a ferocious clamp-down after the "Democracy Wall" movement of 1978. Late in 1986, after an earlier round of student unrest, he sacked Hu Yaobang, the relatively liberal leader, whose death in mid-April sparked the current protests. Perhaps worst, he has allowed a core of hard-line old cronies from civil war and later days to influence crucial political decisions.

When Deng goes, he has to take these with him. The students also want to see the last of Li Peng, an unimaginative young fogey (he is in his fifties) whose usual answer to problems is to apply more rules. Precisely how the elderly can be genuinely put out to grass in China, where seniority and influence are lifelong, independent of actual posts, remains a serious problem, but one which the students and their supporters want solved.

China does not at present have a leader with the strengths of a Gorbachev to install the reforms the students want. Zhao Ziyang, the party leader, is a reformer but he has not been able to bring in changes which would loosen the political system and allow the economic reform more space to work. Even with a more liberal regime, the red tape and the webs of corruption will still entangle new initiatives. Yet the dedication and discipline seen this week on the streets of Peking give grounds for optimism.

A big gamble on roads

THE BRITISH Government's ambitious new road-building programme, announced yesterday, is an expensive gamble on the forecasting abilities of the Department of Transport. Spending is to be more than doubled, to £12bn-plus, over a period that is not formally specified but which is taken for planning purposes to be the next 10 years. This is in addition to the substantial increase provided for in last year's public expenditure round. The real effect, in terms of bulldozers breaking ground, is unlikely to be felt much before the next general election, since it takes time to gear up a new roads programme even when what is happening is mainly a widening of existing roads, on land to a large extent already owned by the state. For that reason alone the dice may not be rolled too soon: additional spending to be incurred in the first year or two of the programme could be set at somewhere between zero and relatively little.

Widening motorways

Yet it would be unfair to dismiss the proposals put forward yesterday by the Secretary of State for Transport, Mr Paul Channon, as mere window-dressing. The 1,500 miles' worth of new schemes, a third of them constituting the widening of existing motorways, are not primarily intended to ease congestion for ordinary voting motorists. The policy has been sold to the Treasury, with the strong assistance of the Prime Minister, as a means of providing infrastructure for business. Some of this is to be export-oriented: the traffic will have to flow from Scotland and the north of England to southern ports and what may well turn out to be a congested Channel Tunnel. In this sense the new inter-urban roads strategy contained in yesterday's white paper is a statement of the Government's confidence in the success of the enterprise economy and continued economic growth. It will certainly be trumpeted as such.

If such a proclamation of faith in the continuance of a competent Conservative Government in office after 1992 turns out to be justified, the programme may not be big enough. While it may move the lorries and vans more speedily between cities, this white paper contains nothing that would help them make deliveries within crowded urban areas and especially inside London. If growth over the next 20 years to 30 years turns out to be lower than the 2 per cent per annum "low" rate fed in by the forecasters then much of the money would have been wasted. This is not a wholly unrealistic postulate taken over the time-scale envisaged in the white paper, since the sustainability of the environment under conditions of rapid economic growth is increasingly being questioned. The forecasts must therefore be assumed to be better than most past traffic forecasts.

Search for savings

This is of particular concern to other spending ministries. The Government is understandably unwilling to add much of the new road fund money to its total projections of public expenditure, at least in the medium term. It will therefore be obliged to look for savings elsewhere, especially if the National Health Service also extracts an extra slice from the Treasury this year. Mr Channon has said in the past that he would welcome private expenditure on roads. Yesterday's white paper says little about this, although a new statement is expected shortly. Unless he creates a markedly different outlook for potential investors, the Transport Secretary is unlikely to get much of his extra £6bn or so from the private sector. The conclusion is obvious: the Government is putting transport infrastructure development at the top of its list of extra spending priorities.

What else could it have done? One answer might be to put road transport more directly under the control of market forces by charging vehicles for the maintenance, congestion and many other costs they impose, preferably on a per-journey basis. This could be done both between cities and within them. Only if all road-users face the marginal social costs imposed by their activities can sensible decisions be made about the choice between road and rail and about the overall level of transport investment required.

A hard-won but fragile prosperity

James Buchan reports on the fortunes and prospects of the US steel industry

Terry Kirk

At Sparrows Point, a finger of land that hooks into Chesapeake Bay above Baltimore, you can learn the entire modern history of the US in a 15-minute tour. Here are antique coke ovens and ash-covered mills that made steel for railroad tracks and artillery shells, the frame of the Empire State Building, Campbell Soup cans, freighters and military aircraft, car tailfins, truck trailers, yellow school-buses.

Here American heavy industry was born, prospered and decayed. Bethlehem Steel spent \$200m in 1956 on new steel-making capacity at Sparrows Point. It used tried and tested open-hearth technology, despite the advantages of a new Austrian technique called the basic-oxygen furnace. The big steel makers have never recovered.

Bethlehem, US Steel and the other companies ended the Eisenhower era with millions of tons of outdated capacity. By December 1958, US imports of steel were more than US exports for the first time since America's industrial revolution. A year later, the US became the world's largest steel importer. It still is.

The open hearths at the point, which take at least three times as long to make steel as the basic-oxygen furnace Bethlehem put in 10 years later, were shut in the slump of the early 1980s. But things have picked up since. After billions of dollars of losses, the industry made over \$2bn (£1.2bn) in net profits last year. Shielded from imports by a devalued dollar and special protective measures, the industry can sell every coil and bar it makes. Bethlehem has reopened two of its open hearths at Sparrows Point. Thirty seven years after it became obsolete in the US, open-hearth technology is having its day.

This September, President George Bush must decide whether he wants to go on limiting steel imports to about 20 per cent of the US market. Walt Williams of Bethlehem, Tom Graham of US Steel, Frank Luerssen of Inland and Bob Boni of Armco have been rallying editorial boards and Congressmen to their campaign to oblige foreign steel-producing countries to accept another five years of so-called voluntary restraint agreements (VRAs).

These men said this spring they would be the first to scrap VRAs as soon as other countries, including the European Community and most notably Italy, stopped subsidising their domestic industries. This is one strand of their argument. The other is this: no VRAs, no future investment. Says Mr Graham: "It takes two-and-a-half years to plan a facility. What am I going to build unless I have some security of a market at the end?" Organised labour, which is fighting for a share of the new prosperity after seven grim years, is backing the bosses. "There's no difference between us on VRAs," says Mr Jack Sheehan, legislative adviser to the United Steelworkers.

But amid the clamour for VRAs, the tale of Sparrows Point raises awkward questions. After years of import protection, slump and recovery, is the industry really much better equipped to compete internationally? Or is it still penalising the US economy with its high wages and run-down capacity, which is what a group of steel users led by Caterpillar claims? Will the industry have to be protected for ever? Mr Kenneth Iverson, chairman of Nucor and a steel maverick, has nothing but contempt for the big steel makers' argument: "What these guys are saying is that they didn't adapt their technology when the rest of the world did and now they need VRAs so they can do it. Hell, VRAs don't encourage new technology, they discourage it."

Since the collapse of the worldwide steel market in 1981-82, the US steel industry has closed many unprofitable factories. Raw steel capacity has been cut by about 30 per cent to 112m tons and employment in the mills has fallen from over 379,700 at the end of the 1970s to 165,900. In the Monongahela Valley of western Pennsylvania, each loop of the river discloses an abandoned steelworks: Monessen, Donora, Clairton, McKeesport, Duquesne, Rankin, Homestead, South Side, Hazelwood – famous names that soon nobody will recognise any more. One by one, the finishing plants at Sparrows Point were cut off like infected limbs.

The industry has spent money improving the plant it has kept open, just as it promised under the terms of the VRA agreement with the Reagan Administration in 1984. About \$9bn has gone into desperately overdue continuous-casting capacity and improved strip mills and finishing equipment. Says Mr Luerssen of Inland: "When I came into this industry (nearly 40 years ago) there was \$30,000 in investment per man. That's now \$2m."

Even at Sparrows Point, a century-old plant at a coastal site vulnerable to imports, Bethlehem will end up spending \$1bn on a continuous caster and on modernising its strip mill. In retrospect, it is clear that the caster kept open not only Sparrows Point but Bethlehem itself. Says Mr Tom Baldwin, a foreman at Sparrows Point, over the deafening din of the caster: "We were doing trial runs – this was early 1986 – and people were talking about the company going into bankruptcy. I had these stockbrokers from Baltimore calling me every day saying: Does she work, does she work, and the stock going all over the place. But she did work and it saved the company."

Labour peace has settled on an industry notorious for disruption. The United Steelworkers union, which managed to organise the big integrated mills only in the depression, is still weak from the loss of hundreds of thousands of members. It has made little progress organising the new generation of scrap-based minimills such as Nucor. In 1986, the steelworkers and US Steel fought for 184 days. Now there is "a new co-operative spirit about," says Mr Dick Fontana, the union's spokesman.

Labour costs are about \$24 an hour, which are higher than in the UK and the developing world. But at the steelworks on Lake Michigan that command access to the key automobile market in Detroit – US Steel's Gary, Inland and LTV at Indiana Harbor, Bethlehem at Burns Harbor – \$3bn in new technology and a more pliant workforce have produced dramatic improvements in productivity. According to Mr Williams, Burns Harbor requires just three man-hours to make a ton of steel. Overall, the US average is 6.4 man-hours per metric ton.

The industry has heavy additional costs: energy, debt service and the pensions and health benefits of the hundreds of thousands of ex-steelworkers. Pre-tax costs per ton are higher than everywhere except Japan and, more or less, West Germany. But it costs a minimum of \$70 to ship foreign steel into the industrial Midwest and this cancels out any overseas advantage. As Mr Christopher Plummer, a steel economist at the WEFA group in suburban Philadelphia, says: "Especially in the Great Lakes area, the industry is nicely insulated."

The continuous casters and strip mills are also making much better steel. Ford's purchasing managers threw away 3 per cent of the steel they bought from US suppliers as recently as 1984. This is now 1 per cent, according to Mr Boni of Armco. Though the steel makers raised prices for carbon steel by 12 per cent last year and have pushed for two more increases this year, they have been far outpaced by the makers of such competing materials as aluminium and plastics. The steelmen talk wistfully of recapturing parts of the drinks can market lost in the 1950s and 1960s.

This is one side of the US steel story. The other side is less rosy. Although the industry produced 99m tons last year, short of its theoretical capacity, it is probably producing as much as, or a little more, than its flat-rolled machines can handle. Outside the big companies' stockades on Lake Michigan, the Birmingham, Alabama region and the mid-Atlantic coast area, steel users must import, or go to the scrap-using minimills that have captured 20 per cent of the market. "Particularly on the West Coast," says Mr Plummer, "the steel-using industry is being penalised by the VRAs."

Continuous-casting capacity, which saves energy and improves quality by cutting out the need to make steel ingots, is still in short supply at 60m tons. Industry modernisation has been piecemeal and many plants are still energy-inefficient, filthy and dangerous – with 139 people killed at work since 1980.

The competitive advantage is fragile. This year, the dollar has risen nearly 8 per cent against the Japanese and West German currencies. The industry's raw materials are 8 per cent more expensive, according to Mr Peter Marcus, an analyst at the New York stockbrokers, PaineWebber. Bethlehem has just agreed to a new four-year contract with the United Steelworkers which could increase its payroll by up to 20 per cent. If approved by the rank and file at Bethlehem's six plants, the deal will put tremendous pressure on Inland, National and Armco, the other companies now in negotiations, to settle generously.

The big steel companies will probably have to give up market share to the minimills. They have lost much of the basic structural market and now seem doomed to lose out in wide-flanged beams to the \$220m plant opened last year by Nucor and Yamato Kogyo, the Japanese steelmaker, at Blytheville in Arkansas. Mr Iverson says: "We have a \$50 cost advantage and we're going to get 20 per cent of the market; I don't care whether it's from imports or domestic producers. It all depends on who wants to compete with us." In an even more ambitious move, Nucor is spending \$265m to build the first new wide-strip mill in the US for 30 years and will attack the big companies in flat-rolled products. The plant is at Crawfordsville, Indiana, in reach of Detroit. Other minimills are following suit.

For his wide-strip mill, Mr Iverson is gambling on untried technology from SMS Comcast in West Germany. He does not have much choice. The great tragedy of US steel – sadder even than the ruins in the Mon Valley – is that it has squandered its technology. Bethlehem had 900 people in research at the beginning of the decade; it now has 250. Says Mr Graham of US Steel: "There's nobody in the US that can build a steelworks now."

In common with all the integrated companies except Bethlehem, US Steel is licensing technology from Japanese companies eager to follow their motor industry on to US soil. All the major Japanese steel makers, Nippon Steel, NKK, Sumitomo, Kobe, Kawasaki, Nisshin, are building or modernising plants in the US.

The Japanese participation has electrified the big companies. Mr Luerssen and Mr Boni are evidently fascinated by what Japanese management and technology can bring. Thus Mr Boni on his \$400m joint venture with Kawasaki: "Our industry is dominated by the operating mentality: if you came up from the blast furnace, you knew what was yours and you didn't let anybody near it. The Japanese will put technical people on to operation and they will collect data in a disciplined way and if there's something wrong, they'll shut the operation down. In the US 10 years ago, they'd have hung you up to dry for doing that."

But dependence on Japan has its risks. As a technical colony, the US industry will probably only see secondhand technology. Mr Plummer says: "The US will be confined to the back seat when it comes to new processes."

Mr Myron Taylor, who ran US Steel through the depression, said in his valedictory speech to stockholders in 1938: "The steel industry, although in the popular mind a heavy industry with fixed locations, is in some respects a mobile industry." The closure of US capacity since the 1950s and the opening of new plants overseas have proved him right many times over. And what Japan brings to America, it can also take away.

OBSERVER

No Death in Venice

■ The Glyndebourne Festival season opens today and, as always, there is a large, handsome and enjoyably literate programme book. It contains one curious item tucked in toward the end, however, concerning the main company's splendid offspring, the Glyndebourne Touring Opera.

Every year, before the tour proper begins, the GTO season kicks off with a week's showing in the home theatre of the three operas in repertory for the children of Kent and Sussex schools: a hugely successful event. This year, we learn from the programme note: "It is to be regretted that the Education Authorities of Kent and East Sussex have decided that they did not wish us to present a performance of Death in Venice, one of Britten's finest achievements, based on a classic of European literature."

Benjamin Britten's opera is the single brand-new production of the 1989 GTO repertory. The Kent and East Sussex authorities, who pay for the little festival, have decided that their children should be allowed to see only Le nozze di Figaro and Il barbiere di Siviglia, the other operas on offer.

According to Anthony Whitworth-Jones, the newly appointed General Administrator of the Festival and previously the GTO boss, the reason given is that Britten's last opera was unlikely to prove popular with the children – something the company itself disputes.

Beyond the Glyndebourne hedges another reason is being mooted. It looks like covert censorship. Section 28 of last year's Local Government Act states: "A local authority shall not intentionally promote homosexuality."

As was pointed out while the Bill was being debated, the words "intentionally" and "promote" are open to a variety of interpretations. But it appears that the Kent and East Sussex authorities are not prepared to take any risks with the law. Death in Venice, after all, is the tale of an old man's infatuation with a teenage boy.

Really strict

■ Some of the taxis in West Berlin nowadays not only carry the familiar international "no smoking" sign. There is also some Chinese writing – with the translation "no opium smoking".

Graduates only

■ The report on the future of Cambridge University published yesterday under the chairmanship of Sir Douglas Wass, the former head of the Treasury, brings me back to an old idea.

Quite the most radical reform of higher education in this country would be to change both Oxford and Cambridge into entirely postgraduate universities. They could then become research centres of undoubted excellence.

It would be a major social reform as well. A great deal of the snobbery in this country comes from the assumed gap between Oxbridge and the rest. The gap is not academic, but social. The reform should have been a natural for the now sadly diminished Social Democratic Party. What about the new dynamic Labour Party?

Football shares

■ When Liverpool and Everton meet in the FA Cup Final tomorrow, Wembley Way will be dotted with Liverpool City Council trading standards officers asking for anyone who bought a ticket from a tout to give them the serial number.

A similar exercise last year,

"Already started dressing for the cameras, I see."

when Liverpool played Wimbledon, revealed that touts ripped off the fans to the tune of about £250,000. The Football Association has traced 566 serial numbers and blacklisted the people who sold them onto the black market.

This year £32 stand seats have been on offer at £225 and £8 tickets for the terraces at £100, in spite of both clubs getting a record 35,000 tickets each in order to ease demand.

Genuine fans may like to know that one certain way of getting a ticket is to become a shareholder in one of the clubs involved. Everton is largely owned by Sir John Moores, the founder of Littlewoods, but he has only a minority interest in Liverpool and some of the club's 12,000 shares occasionally come up for sale.

The current price is about £300 each. There are no dividends, but you get a Cup Final ticket for every nine shares. If Liverpool can keep it up for another 12 years at current prices, it would be a good investment.

Chinese cure

■ China may have its local difficulties, but at least it has a remedy for the common cold. This story comes from Jacob Benthien of the Danish Ministry of Foreign Affairs.

Benthien recently escorted a group of international correspondents to see Nordic United Nations peace-keeping forces at work in the Middle East. But first they were were exposed to trial by frost while visiting military installations in Finland. The whole group went down with appalling colds, except the correspondent from the New China News Agency.

Asked to explain his apparent immunity, the Chinese journalist said: "My wife, she makes pills for this."

He then proceeded to dose the group with the home-made pills. After 45 minutes they all broke out into a profuse cold sweat, says Benthien. Within three hours their colds had gone and did not return.

What was in the pills? The Chinese correspondent said, very courteously, but emphatically: "Snake dung."

Benthien regrets that he does not know which species of Chinese snake.

American dream

■ The following tale is doing the rounds in Los Angeles. President Bush bumps his head and goes into a coma. The first person he sees when he comes round is Vice President Quayle, who tells him he has been out for three years.

"What has happened with the budget deficit?" asks Bush. "It's been balanced for the last year," says Quayle. "What about unemployment, Dan?" "It's at 1 per cent, Mr President." "And inflation?" "That's at 1 per cent as well, sir."

"That's great," says the President. "Let me ask you one last question. How much is a cup of coffee?"

"About 140 yen."

POLITICS TODAY

The Europe of the saloon bar

By Joe Rogaly

Britain's Prime Minister, Mrs Margaret Thatcher, is having a whale of a time. She is doing what she likes best. She has an enemy clearly in her sights. She is fighting it with every ounce of her ferocious energy.

The enemy is largely a figment of her imagination: a sinister Brussels conspiracy to impose corporatist and Marxist principles on Britain. This fantasy enemy has clearly become more threatening as the Prime Minister has increasingly come to rely on the advice of a small band of courtiers. She is more than ever cut off from moderating outside influences; she is intensely irritated at even the presence in the room of that essence of beaming moderation, her Foreign Secretary, Sir Geoffrey Howe. This does not mean that she is politically isolated: if you want to construct a theory of the potential for nationalistic demagoguery in Britain, consider only the result of a Radio Two phone-in poll on Wednesday morning. The question was "Are you opposed to closer political and trade ties with Europe?" Believe it or not, 8,893 listeners took the trouble to call in a "yes", against 2,519 noes.

She is now plainly going all out to flatter that saloon-bar vote. According to yesterday's Daily Mail she told its editor that "I remember vividly saying: 'But I didn't join Europe to have the free movement of terrorists, criminals, drugs, plant and animal diseases and rabies, and illegal immigrants.'" In another answer she specified Bangladeshis, who might sneak in after taking a holiday in Greece.

The long-run domestic political value of all this is questionable: voters who want their Prime Minister to be anti-foreign can hardly doubt that the present one is. Against that, Mrs Thatcher is once more stretching the cohesion of the Conservative Party. Her quasi-Gaullist pronouncements are dividing the Tory back benches and puzzling party workers. Have they not been told for 20 years that theirs is the party of Europe? Is this flag to be abandoned?

It is not only what she is saying that is causing the tension. It is also what she is doing. It is no coincidence that very nearly every department of government is engaged in some quarrel or another with either the European Commission in Brussels or an associated body. If it is not about foreign language teaching in British schools, it is about health warnings on cigarette packages. If it is not a difference over water purification standards, it is a row to do with worker participation in industry. Each of these and the many other current British Government squabbles with the EC could legitimately be argued on the merits of the case alone, but virtually every one of them has been exacerbated by the same strident message from No 10 Downing Street.

The messages are not difficult to deliver. We are rapidly approaching the time of reshuffle, that midsummer period of hopes during which the Prime Minister decides which of her ministers shall be promoted and which passed over, which demoted and which dismissed. All of them, from the highest Secretary of State to the humblest junior minister, are subject to the patronage of No 10 Downing Street. All of them are well aware that this most mercurial of bosses is presently in a mood of determined opposition to what she quite sincerely sees as a danger of creeping socialism emanating from Brussels.

In short, the elastic is taut. Either it will snap and she will lead an increasingly anti-European crusade, or, just possibly, it will tug her back to a less negative stance. She could proclaim her European credentials pretty loudly on Monday, when she launches the Conservative manifesto for the forthcoming elections to the European Parliament. Yet even at this late hour there is so much debate within her immediate entourage about what, if anything, she should say that there can be no guarantee. The manifesto itself contains standard Government policy on the EC, written at Christmas time and sent to the printers before amendments could be made to take into account the growing disquiet of the past fortnight. It therefore hardly meets the present needs of a party that is unhappily divided about Britain's relationship with the other 11 members of the Community.

If Mrs Thatcher chooses to send out more positive signals, as some of her colleagues are urging her to do, she will have to use a carefully-crafted phrase or two in the remarks that accompany the launch. Incurable optimists could interpret some of her Daily Mail answers that way. She will have a further opportunity in the middle of next week, when she addresses the Conservative Women's Conference in the Central Hall, Westminster. In theory there should be little difficulty about this: even in her celebrated speech at Bruges on September 20 1988, she larded her chauvinism with an affirmation that Britain's destiny is in Europe, as part of the Community. (The officials put in the affirmation; she and her immediate staff wrote in the chauvinism.) Yet she might find it awkward to convince people of her European credentials.

You have only to consult Tuesday's Hansard to see why. You will find that the iconoclastic, Labour-Left MP, Mr Dennis Skinner, asked:

"On reflection, does the Prime Minister regret having used a three-line whip and a guillotine to push the Single European Act through the House?"

Without pause for thought, or any shuffle through the papers she always prepares in readiness for questions, *Mrs Thatcher replied:*

"No I do not. We wished to have many of the directives under majority voting because things which we wanted were being stopped by others using a single vote. For example, we have not yet got insurance freely in Germany as we wished.

That seems clear enough. So does her next sentence:

"We strenuously contest some decisions concerning animal and health regulations, which we believe should come under unanimity . . ."

This is some distance from the reply she might have given. She might have said, for example, that the Single European Act was a major stepping-stone towards creating a single market, bringing together the economies of the 12 member states. She might have said, as her Foreign Secretary, Sir Geoffrey Howe, did in a speech to the Confederation of British Industry a few hours later, that "the Community is not only a new horizon of economic opportunity for the UK. The community is the political foundation for Britain's continuing influence in Europe and world affairs." An *ad lib reply of that nature would* at least have shown a breadth of vision greater than is implied by saying that Britain is in because it wants to override minorities on mercantile issues that suit it and veto everyone else on *those that don't.*

The Prime Minister seems to be saying much the same thing even when she uses more high-flown language. "Our vision of Europe is a vision of sovereign states co-operating freely in those things we can do better together than we can do ourselves," she repeated in reply to a Conservative back-bench question on Tuesday. The contrast between this pointedly narrow approach and that of those who regard the EC as an embryonic coming together of geographically and culturally contiguous peoples could not be more sharp.

* * *

It is the good fortune of Mr Micheal Heseltine that his own, more inspiring, version also appeared this week. Mr Heseltine, a former Defence Secretary, has a careful eye on his chances of succeeding Mrs Thatcher.

"Where peace is secure," the former Defence Secretary writes in a thoughtful new book*, "then frontiers unmanned and barriers lowered allow other great benefits – cultural and spiritual enrichment, material increase – to be shared and to multiply . . . We observe, too, how rival, apparently conflicting loyalties can sometimes be brought together to create a greater strength. That is what gives Europe its potential and its citizens the ground for their hopes."

Mr Heseltine is no closet Marxist. He is as pro-capitalist as any hardened Thatcherite could wish. He does, however, see Europe through eyes that allow for greater imagination than John Bull might do after a hard Saturday night's imbibing. He describes, in tones of slightly hurt reason, the missed opportunities of the past. As the original six founding nations worked to create the EC, "British officials sat, without instructions, *witnesses to a process that was* growing visibly more confident, powerless to stop it and prevented from supporting and thus influencing it." The scene has been repeated in various ways many times since the 1950s. Today, Mr Heseltine writes, "there are those who fear that in moving closer to Europe, Britain will lose her identity. On the contrary, I believe that within Europe she will find a much greater one."

There are other resonant sentences, like "to pick and choose from Europe's programme, to dine *à la carte*, is to risk quenching the enthusiasm that British managers must display if the opportunity of 1992 is to be grasped." He is a relative gradualist on the matter of political unity, but vivid in his reminders of continental realities. Without Britain, the EC will be run by the French and the Germans, inward-looking, not Atlanticist. (A British Prime Minister with a sense of history would realise that the present danger is that the century that began with a German problem, and had a German problem in its middle, could end with a German problem, unless Germany is, with Britain and France, to become part of a greater European whole.)

"If we march with our friends," writes Mr Heseltine, "we will further our cause and theirs. If we dawdle or drop out they may spare us no more than a regretful shrug." This is well understood in the City, in industry, in both major political parties and even in much of the Tory press. Whatever may be thought of Mr Heseltine's motives, or his views on other matters, on this historic issue his has now become the clearest and most statesmanlike voice in the land.

* *The Challenge of Europe. By Michael Heseltine. Weidenfeld & Nicolson. £14.95*

LOMBARD

Investors of the last resort

By Anthony Harris

TWENTY-ODD years ago the FT used to advertise itself with a poster which showed a circular object perched on the top of a hump. The caption read simply: "Which way will the ball roll?"

It was not an ideal slogan for this paper, which has never claimed to know the answer, but it was a neat picture of the unstable equilibrium of financial markets. When they move, they roll.

The central banks have always known this. Markets would not be stable – or "orderly", as they prefer to put it – without discipline, so they have long imposed it. Perhaps that is the trouble; for in the foreign exchange markets of the 1980s they have sometimes looked like cavalry officers who have brought their horses to a tank battle.

Their basic tactics were developed in defence of Bretton Woods parities, and as long as they are dealing with speculative borrowed funds their war manuals are still a good guide. But from time to time a new army joins the field – portfolio investors, who take a long view of where to place the funds they own or control.

The central banks have much less experience here, because under the Bretton Woods system few but American portfolio investors were allowed to operate internationally. This was not seen as a market management problem. The non-American central banks eagerly mopped up the funds the investors provided, and called it building their foreign reserves.

The EMS has also been protected by similar restrictions until now, so the central banks seem to have developed no strategy for containing these flows.

The bear traps and raids which pacify the short operators do not work, because portfolio investors are not engaged in the hugely-geared margin trading which makes the money market easy to frighten. We have seen the results in the early 1980s, and are seeing them again.

History suggests that it is not floating exchange rates which have created the tidal markets of the 1980s, but free capital movements.

The radical solution, as Mr Delors argues, is to move to a common currency. In such a Europe the current and capital accounts of member states would mean no more than those of Scotland or of Yorkshire.

However, this idea is being resisted in Europe, and is not even on the most distant agenda for the whole trading world. If the central banks want orderly currency markets, they need better management techniques.

The market's own rules are clear enough: when movements of investmemt capital dominate the exchanges, rates will move to equalise the expected return on capital. Unfortunately expectations are volatile, especially because this return is seen (and reported quarterly by fund managers) as including exchange rate profits

If the central banks do nothing, exchange rates will move far enough to push the target country into a current account deficit which is sufficient to meet the demand for funds; and then to discourage that demand, by going high enough to inspire vertigo. This is a rotten way to allocate resources.

The alternative is to do what the authorities used to do in the post-war period, and to back up their monetary policies by balancing the private sector flows which still occur. When Americans acquired foreign assets, the central banks bought balancing claims on the US, called reserves. Now that the flow is the other way, they should balance again, running down dollar claims as the private sector builds them up, and encouraging the US to build foreign reserves.

The test of such a strategy is not that it should impose negotiated exchange values – the market flows contain "information" which does not appear in any statistics, and must sometimes know best – but that it should show a profit. The central banks which preen themselves on their recent tactical profits should remember that their strategic record is poor. In 1985, they were the stalest of stale bulls of the dollar. A balancing strategy, which would have involved much freer use of reserves, would have paid much better.

LETTERS

Centralisation will not serve Europe best

From Mr Edmund Dell.

Sir, You write (leader, May 17) as though there was no reason to fear the current strong centralising trends within the European Community.

Unfortunately this is not the case. Indeed, it is naive to believe that any political institution – and the European Commission is a political institution – will fail to take any opportunity to enhance its own authority. The 1992 project itself has a strong centralising effect; this makes it right that every effort should be made to avoid centralisation where it is not necessary.

But again and again centralising propositions emerge from Brussels which are unnecessary to the accomplishment of the 1992 project.

Take the example of VAT approximation. Apparently the Commission is now prepared to modify the Cockfield proposals in a way which permits much greater flexibility to member states in fixing their own indirect taxation. What the new proposals belatedly accept is that any pressure towards approximation can be left to market forces.

The fact that the Commission is now prepared to change its stand shows that these highly centralising proposals were never necessary to the accomplishment of 1992. Yet the Cockfield proposals would still be on the table but for the vigorous opposition of some member governments.

Even many supporters of monetary union will have been disturbed by what would be the centralising effects of the Delors committee proposals – well described by Mr Samuel Brittan, your economics editor, as going "beyond monetary policy into a sort of economic imperialism," and as leaving national governments with less fiscal discretion than regional authorities in the US and West Germany.

You yourself are supporting these centralising tendencies by suggesting (May 2) that European Community law should be made by the European Parliament, not by the Council of Ministers. In other words, European Community member states should be overridden even on matters now requiring unanimity. This would mean a federal Europe in which, among other effects, the European Parliament would have a right of taxation without the consent of national parliaments.

Those serve Europe best who really do act on the principle that only those things should be done centrally which need to be, and that it continues to be the case that any decision involving a major inroad on national sovereignty has to be taken unanimously.

Edmund Dell,
4 Reynolds Close, NW11

The European company

From Mr Bruce Sutherland.

Sir, The case for a "European company" (1992 column, May 15) is misconceived. In the US there is no such thing as an "American company" – companies are formed and operate under the company law of the individual states.

One consequence of this is that companies operating in the US are spared the rapidly increasing mass of company legislation which the UK and, no doubt, the other European Community countries have had to endure in recent years.

There is, however, a strong case for removing the additional tax burdens which individual states impose on profits of their own companies derived from the operations of subsidiary companies in other states. This is a matter of tax law, not of company law, and it should be recognised as such.

There is no need for a European company, and the Commission would be better employed concentrating on what needs to be done to attain the real 1992 objectives rather than diverting its resources to such unnecessary irrelevancies.

Bruce Sutherland,
The Manor House,
Shipston-on-Stour,
Warwickshire.

At the movies

From Mr Michael Toogood.

Sir, Mr Brian Hague (Letters, May 8) supports Nigel Andrews, your film critic, who has consistently supported cinema-goers in this country against the cultural and physical deprivations they must suffer in pursuit of entertainment.

A central question which has not been directly asked by either is: why does the cinema *industry continue to ignore* the demands of the British public? The climatic and demographic structure of the UK, after all, must fuel demand for a good indoor entertainment industry. *The penetration of video cassette* recorders (VCRs) into the home is testament to the failure of the cinema industry. Yet cinemas have cunningly persuaded the public that they are the victim of this trend, not the perpetrators of it.

The intransigent refusal of cinemas to adapt to public demand can only be explained by the competitive structure of the industry. The only hope of preventing further exploitation *of the viewing public is* through a reference to the Monopolies and Mergers Commission. The industry has a case to answer.

Michael Toogood,
7 Stanley Mansions,
Marius Road, SW17

Steps to better pensions

From Mr Patrick Carroll.

Sir, Raymond Noftage (May 17), draws attention to the "large number of persons for whom the basic state pension will be their main support" – a group that includes many elderly women. He suggests an increase in the basic pension for all and "a pension surtax" for the better off.

When a tax on pensions is hard to accept, and there is a clear need for better targeting of benefits, an alternative may be "pension steps" so that older pensioners receive larger pensions. The increases could attach at ages 65 and 75 or 80.

This could have advantages. Older people are poorer and more needy, with smaller occupational pensions. Women predominate numerically, tend to have smaller entitlements to occupational pensions and less additional pension in Serps. So an age supplement to the basic state pension for over-75s would reach a group most in need.

It would cost less than an increase across the board – and would fit present administrative practice for income support, where a pension premium is paid to older claimants. A further advantage is that steps would reduce the cost of making the state pension available to men in the 60-64 age group.

Abolishing the earnings rule is good news for company directors aged 66. Perhaps now more could be done for the elderly poor?

Patrick Carroll,
Pension and Population
Research Institute,
35 Canonbury Road, N1

PSBR and all that

From Mr R.V. Ashdown.

Sir, Last night (May 10) a young man collapsed in the road near here. I was out walking, so I ran to a friend's house and dialled 999. By my watch it ws 10.53pm.

It took two minutes 20 seconds to be connected to the London ambulance service. Once connected, it would be charitable to say that the person taking the call had a less than perfect understanding of English. I can just about accept that the word "convulsions" might not be understood, but I would hope that the address "Westbourne Terrace, London W2" could be understood and written down by anyone manning a "999" service.

The police arrived at 11.00pm. They were excellent. They did, however, suggest that they confirm over their radio that an ambulance was in fact coming. They had to re-order an ambulance.

This arrived at 11.20, 27 minutes after my original call. The man had collapsed 800 yards from St Mary's hospital in Praed Street. He could have been me, or any of your readers. (Indeed, he may be one of your readers.) In your columns at present there is a great debate about whether the size of the public sector borrowing requirement (PSBR) this year will be £12bn, £14bn, possibly £16bn. Is it not possible that, whatever its size, some small portion be spent on devising a system to get an ambulance to travel 800 yards in central London in less than 27 minutes?

R.V. Ashdown,
223 Sussex Gardens, W2

FINANCIAL TIMES
Friday May 19 1989

Moscow prepared to wait for SNF negotiations

By David White, Defence Correspondent, in London

THE Soviet Union is prepared to wait before starting negotiations on short-range nuclear weapons (SNF) in Europe, General Pyotr Lushev, the Warsaw Pact's top military commander, said yesterday.

But he also warned that failure to tackle the tactical nuclear arms issue could create a serious obstacle "in the not too distant future" to the Vienna negotiations on reducing conventional armaments.

His message, delivered at a Royal United Services Institute conference in London, demonstrated Moscow's determination to capitalise on divisions in Nato to achieve some commitment on short-range nuclear talks.

It coincided with talks in Washington by Mr Gerhard Stoltenberg, the new West German Defence Minister, aimed at finding a compromise in Nato which would link any prospect of new talks to progress in the Vienna negotiations. The US and Britain have been resisting acceptance of the Warsaw Pact's call for negotiations on short-range nuclear arms.

Gen Lushev said there was "no firm linkage" between dates for conventional and nuclear arms negotiations. "Certain flexibility is possible here," he said.

He also indicated that the Warsaw Pact was willing in the Vienna talks to wait before pressing its case for cuts in Nato's strike aircraft.

However, short-range nuclear weapons could not remain outside the framework of talks for long. "Without the reduction and subsequent elimination of tactical nuclear weapons, it is hardly possible to speak seriously about the elimination of the threat of war," he said.

Informal talks between Gen Lushev and Gen John Galvin, Nato's supreme commander in Europe, were the first ever between at that level.

Gen Lushev, notably more cautious and orthodox in his answers to questions than in his address, is not regarded as having any political negotiating mandate. Observers believe the text of his message was drawn up between the Soviet Foreign Ministry, the military General Staff and the Communist Party Central Committee, of which Gen Lushev is a member.

Meanwhile, Mr Gerhard Stoltenberg, the West German Defence minister, yesterday held a brief unscheduled meeting with Mr James Baker, the US Secretary of State, about ways of resolving the current disagreement over the future of short-range missiles in Europe.

However, President François Mitterrand of France yesterday rejected immediate negotiations with the Soviet Union to reduce or eliminate short-range nuclear weapons in Europe. He said the Nato allies should wait and see whether concrete progress could be achieved at the Vienna talks on balancing conventional forces.

His statement gave support to the US and Britain, who have fought calls by West Germany and other Nato members for SNF talks with Moscow.

Europe backs Fed to check rise in dollar

By Peter Norman in London and Peter Riddell in Washington

THE US Federal Reserve system backed by several European central banks checked the dollar's rise in European currency trading yesterday after a Bundesbank decision not to increase its key interest rates propelled the US currency above DM1.98.

The news that the Bundesbank central council was keeping the West German discount and lombard rates unchanged at 4.5 per cent and 6.5 per cent respectively caused the dollar to surge ahead in hectic trading conditions.

However, the US currency's renewed strength, despite Bank of Japan dollar sales overnight, was countered by a good $1bn of concerted central bank sales in European trading hours which pushed the dollar lower by the end of trading in London.

The Fed was reported to be in the market at least four times yesterday, selling dollars for D-Marks and yen. It was supported by the central banks of Britain, France, Canada, Italy, Switzerland, Austria and Belgium.

But the Bundesbank stood aside from yesterday's round of sales, fuelling speculation that there were differences among the Group of Seven leading industrial countries about how to handle the dollar following its recent surge through the DM1.90 barrier.

In Paris, President François Mitterrand of France yesterday called for a meeting of the Group of Five or the Group of Seven major industrial nations to restore order to world monetary policy. Some senior European central bank officials have also begun canvassing the idea of a top level meeting of G7 finance ministers and central bankers to try and agree a concerted strategy to restore stability.

Currency economists reported that corporations were strong buyers of dollars yesterday. Although many dealers regarded the central banks' dollar sales as an opportunity to buy dollars cheaply in the hope of a swift profit, others warned that the Bundesbank might be preparing a trap for the dollar bulls.

G7 faces exchange rate struggle

Peter Norman looks at the unsettling effect of a strong US currency

YESTERDAY'S Bundesbank decision not to change its key interest rates presents the Group of Seven leading industrial nations with the problem of re-establishing the credibility of their commitment to stable exchange rates.

After intervention failed to halt the rise of the dollar against the D-Mark and the yen last Friday, and central banks had largely abstained from dollar sales this week, financial analysts were arguing that only a rise in official interest rates in West Germany and Japan could reverse the trend.

But even before the Bundesbank's central council met in Frankfurt yesterday morning, the sheer strength of Wednesday's speculative inflow into the dollar had made it likely that the Bundesbank would leave its discount and lombard rates unchanged at 4.5 per cent and 6.5 per cent respectively.

According to Mr Geoffrey Dennis, chief international economist of James Capel in New York, the dollar's rise of almost 3 pfennigs after the publication of a smaller than expected trade deficit for March "began to smell like the speculative run-up in late 1984 and early 1985". That was when the dollar soared to peaks of nearly DM3.47 and Y261 in late February 1985.

In his view, the central banks had no choice but to retreat. "The G7 has lost the battle for the time being," he said.

It is less clear whether the US, Japan, West Germany, France, Britain, Italy and Canada have lost a war.

Yesterday, central banks sold dollars after the Bundesbank interest rate decision, signalling that they hoped to keep some control over the US currency. For some time, officials have been stressing that the February 1987 Louvre Accord for stabilising exchange rates is a "soft" system, which allows currencies to move temporarily beyond their loosely defined margins of fluctuation.

Given the volatility of exchange markets the authorities may hope that after two or three weeks or even two or three months they can again bring the dollar significantly below the DM1.90 and Y140 levels that are generally regarded as the upper limits of the US currency's fluctuation margins under the Louvre Accord.

What is indisputable is that the dollar's upwards surge towards DM2 and Y140 has caught the G7 completely on the wrong foot.

When they last met in Washington in early April, the G7 finance ministers and central bank governors feared the correction of the continuing imbalance between the large US current account deficit and the Japanese and West German surpluses had ground to a halt. Their main concern at the time was how to manage an orderly decline of the dollar to restart this so-called adjustment process.

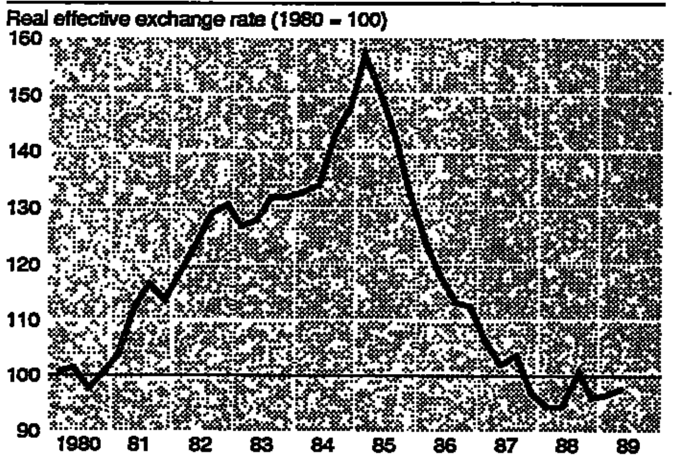
The G7 communiqué published on April 2 was therefore deliberately asymmetric in its emphasis. The ministers and governors agreed that "a rise of the dollar which undermined adjustment efforts, or an excessive decline, would be counter-productive."

Wednesday's US trade figures seem to suggest that the G7 fears about an end to the current account adjustment process were misplaced. In March, US exports had powered ahead by 7.4 per cent, reducing the trade deficit to $8.86bn. Moreover the rise of the dollar since the April G7 meeting shows that the US current account has been more than easily financed by private capital flows.

The unexpected strength of the dollar partly reflects political factors such as disarray in the West German coalition and government crisis in Japan.

Dollar

Real effective exchange rate (1980 = 100)



Source: World economic outlook

But with hindsight it begins to appear that the G7 effort to stabilise exchange rates carried the seeds of its own decay by establishing a completely new environment on foreign exchange markets since the beginning of 1988.

In the first trading days of last year central banks intervened strongly to support a weak dollar. They stabilised not only the dollar exchange rate, but exchange rate expectations as well.

The G7 therefore increased the attraction for investors of high yielding currencies, such as the dollar by sharply reducing the exchange rate risk previously inherent in the higher national inflation rates that the high yields reflected.

As fears of foreign exchange loss diminished, funds began to flow into the dollar from West Germany in particular. This flow has been augmented this year by the apparent switching of excess savings in the Far East into dollar investments.

In recent weeks, the problem of the strong dollar became self-feeding because it has contributed to the import of inflation into countries which previously enjoyed relatively stable prices.

International investors have seized on signs of higher inflation in Germany and of a long-hoped-for cooling of the US economy to sell D-Marks and buy dollar investments, thus continuing a vicious circle.

According to Mr David Hale, chief economist for Kemper Financial Services in Chicago, central banks will only able to stabilise currencies if they use the "artillery" of higher interest rates in West Germany and Japan.

But yesterday's Bundesbank decision shows that the monetary authorities are wary of using the interest rate weapon.

Wright's future in doubt as inquiry widens

By Lionel Barber in Washington

MR JIM WRIGHT, Speaker of the US House of Representatives, may be forced to resign shortly because of the widening ethics investigation into his financial dealings.

Mr Wright's fate may be determined as early as next week when his lawyers present motions before the House Ethics Committee which seek to dismiss the most serious charges against him.

Mr Wright is gambling that his legal defence can reverse his political fortunes, but leading Democrats have begun to voice doubts about the Speaker's ability to survive. "Whatever the merits of the legal arguments, Jim Wright is finished politically," a leading Democrat said yesterday.

The resignation of the Speaker in mid-session of Congress would be unprecedented. But Mr Wright's difficulties have mounted steadily in recent weeks and Republicans say that Congress is in a "state of suspended animation" because of his difficulties.

One scenario aired on Capitol Hill yesterday was for Mr Wright's lawyers to present oral arguments to the Ethics Committee early next week. On Wednesday, if the Committee throws out the Speaker's motion, he could be offered a deal: in return for his resignation, the Committee would agree to drop all Ethics charges against his wife, Betty. Once Mr Wright resigned, the Ethics Committee would drop all charges against him.

If Mr Wright does resign, he is expected to be replaced by Mr Tom Foley, a Congressman from Washington. Unlike Mr Wright, who favours a partisan style, Mr Foley is a conciliator who could be expected to work closely with the Bush Administration.

Mr Wright is accused of evading limits on outside income by disguising speech fees and book royalties and of accepting $145,000 in unreported gifts from a fellow Texan businessman. The Internal Revenue Service has also launched a criminal investigation into Mr Wright's business ties with Mr George Mallick, the Texan businessman who set up a joint company with Mr Wright and his wife Betty, the Los Angeles Times reported yesterday.

Mexico agrees $1.96bn loan deal

By Richard Johns in Mexico City

MEXICO yesterday announced that it had finalised agreement with the World Bank on a $1.96bn loan package, some of which could be used to underwrite a reduction in the country's $57bn public sector debt to the commercial banks.

The statement was clearly aimed at stimulating the government's negotiations with the banks, which resumed in New York on Wednesday. Mr Pedro Aspe, Finance Minister, said that $1.5bn of the total could be rapidly dispersed.

"A portion of these resources could be utilised in schemes for the reduction of debt, thus becoming an important step forward in the renegotiation with our creditors," he said on Wednesday night.

The timing of the announcement was regarded also as calculated to quell growing anxiety in Mexico and to discourage capital flight following an encouraging inflow earlier in the year.

The agreement is expected to be approved at a meeting of the World Bank's board of governors in Washington on June 15.

Three separate $500m "policy" loans are to be granted for assistance with structural changes relating to the industrial sector, public sector entities, and the financial sector.

Most of the balance is committed in the form of project finance to three hydroelectric projects. Some $20m is earmarked for a scheme for drinkable water and sanitation, together with training for women in rural areas.

It is understood that only 25-30 per cent of the $1.5bn ($375m-$450m) could be used to back – in the form of colateral or guarantees – debt reduction.

Availability for this purpose will depend on agreement with the bank, according to World Bank officials contacted in Washington, who said the facility was no "automatic assignment" for debt reduction.

The World Bank statutes empower it to guarantee sovereign debt, but as yet the mechanism whereby it might facilitate a reduction for Mexico in this way has yet to be agreed and worked out.

Mexico should, however, be able to secure the first tranche quickly, having already satisfied the World Bank, as well as the IMF, about its economic and fiscal policies.

Normally, its policy loans are dispersed over a period of 18 to 24 months.

Mexico should, thus, receive a welcome boost to its foreign exchange reserves which at the end of March were just over $6bn, according to reliable reports.

In the near future, it should also receive $500m of the $3.6m external loan facility agreed with the IMF last month, plus another $500m in compensatory financing because of last year's fall in oil prices and a rise in the cost of food imports.

Another $500m is expected to be committed by the Inter-American Development bank following the "good seal of approval" given by the IMF and the World Bank, while further relief is expected from the Paris Club of creditor nations.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	21	70	Dubrovnik	S	22	72	Malta	F	20	68	Rhodes	S	23	73
Algiers	S	23	73	Edinburgh	R	16	61	Manchester	C	17	63	Rio de J'o	C	29	84
Amsterdam	S	23	73	Faro	F	20	68	Manila	R	30	86	Rome	T	18	64
Athens	S	26	79	Florence	F	22	72	Melbourne	C	17	63	Salzburg	S	19	66
Bahrain	S	34	93	Frankfurt	F	15	59	Mexico City	F	27	81	San Francisco	C	11	52
Bangkok	F	35	95	Funchal	C	19	66	Miami	F	25	77	Seoul	S	27	81
Barcelona	S	21	70	Geneva	S	20	68	Milan	F	20	68	Singapore		–	–
Beirut		–	–	Gibraltar	S	21	70	Montreal	S	17	63	Stockholm	F	18	64
Belfast	R	15	59	Glasgow	R	15	59	Moscow	S	18	64	Strasbourg	C	16	61
Belgrade	S	21	70	Guernsey	S	18	64	Munich	S	21	70	Sydney	S	21	70
Berlin	S	22	72	Helsinki	S	18	65	Nairobi	T	19	66	Taipei	C	31	88
Biarritz	S	25	77	H. Kong	S	29	84	Naples	T	22	72	Tangier	F	20	68
Bombay	C	32	90	Innsbruck	S	23	73	Nassau	C	30	87	Tel Aviv	S	24	75
Bordeaux	S	26	79	Inverness	R	11	52	New Delhi	S	38	100	Tenerife	F	22	72
Brussels	S	23	73	Islamabad	C	36	97	New York	S	17	63	Tokyo	R	20	68
Budapest	S	22	72	Istanbul	S	20	68	Nice	F	22	72	Toronto	S	16	61
B. Aires	F	18	64	Jakarta	C	32	90	Nicosia	S	23	73	Tunis	F	23	73
Cairo	S	37	98	Jersey	S	21	70	Oporto	S	19	66	Valencia	S	21	70
Cape Town	F	18	64	Jo'burg	S	23	73	Oslo	F	16	61	Venice	C	20	68
Caracas	C	28	82	Lima	F	21	70	Paris	S	25	77	Vienna	S	21	70
Casablanca	S	20	68	Lisbon	S	23	73	Peking	R	18	64	Warsaw	T	20	68
Chicago	C	17	63	London	F	23	73	Prague	F	19	66	Washington	S	18	64
Cologne	S	25	77	Los Angeles	C	15	59	Reykjavik	F	6	43	Zurich	C	15	59
Copenhagen	S	15	59	Luxembourg	S	22	72								
Corfu	S	21	70	Madrid	F	27	81								
Dallas	C	21	70	Majorca	S	23	73								
Dublin	C	19	66	Malaga	S	25	77								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

China fails to defuse crisis

Continued from Page 1

the Cambodians themselves.

Moscow and Peking agreed that after Vietnamese troops withdrew, they should each gradually reduce and eventually stop all military aid to the warring parties.

The communiqué said the two sides "agreed to take measures to cut the military forces in the areas along the Sino-Soviet boundary to a minimum level commensurate with the normal, good-neighbourly relations between the two countries."

They also agreed to speed up long-running discussions aimed at settling the 6,500km border line.

In Peking meanwhile, more than 2m workers, including many government workers – office staff from the public security bureau, the Peoples' Liberation Army, and the propaganda and foreign ministries – disobeyed party orders to join students in the streets.

Millions left work in defiance of the authorities and marched in support of students on the sixth day of their hunger strike. Similar huge protests were reported in Nanjing, Xi'an, Wuhan, Guangzhou, Tianjin, Changsha, and at least 15 other regional centres.

Police and army units appeared unwilling to get involved, and control of the capital, including traffic management, moved into the hands of well-organised students.

With a growing number of posters calling on Deng Xiaoping, the country's paramount leader, to step down, Chinese officials were admitting that the 84 year-old Deng would have to be sacrificed.

THE LEX COLUMN

The sharks close in on RHM

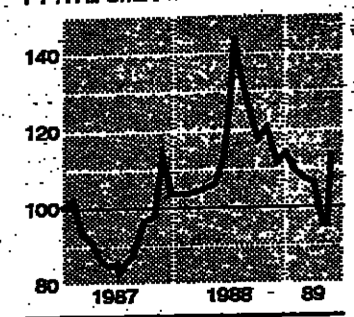
The latest assault on RHM presents the market with a genuine puzzle. Even for a trio as well-heeled as Goldsmith, Rothschild and Packer, £415m is serious money; and given the notorious difficulty which Goodman Fielder had in shifting its stake, the consortium must surely reckon on a full bid as its main option. The problem comes in fitting RHM to the model which Goldsmith and Rothschild originally presented. The target was to be a company in need of focus: less politely, a break-up job. But, says the consortium, RHM is a focused and well-managed company, whose only error has lain in the mishandling of the whole Goodman affair. Its depressed share price therefore represents a genuine investment opportunity, not to be confused with the continuing search for an unfocused target.

Much of this will be the normal process of talking the price down – particularly necessary given yesterday's 22 per cent surge in RHM's shares. Another element will be simple caution, or taking the UK temperature. Fund managers with long memories are bound to view the return of Sir James with suspicion; and a leveraged bid for RHM has been referred once already – though, says the consortium, as much equity can be raised as will keep the competition authorities happy.

But though a full bid for RHM is plainly a serious possibility, there must surely be easier targets than a tightly-run company with four fifths of its sales through the UK grocery trade. Doubtless, the break-up value would be greater than yesterday's price of 436p – though it is worth recalling that even including RHM's brand valuation, net assets are only around 300p per share. The likelihood is that the consortium will play a waiting game; while RHM, meanwhile, must surely conclude that its own bid for Goodman is a dead duck.

RHM

Share price relative to the FT-A All-Share Index



Royal Insurance

Three years ago, the talk at Royal was about renaissance in the US. Shaping the new Royal meant calling in management consultants and shifting the head office to North Carolina: expenses would drop, and profit-related pay would make Royal's underwriters the envy of the industry.

Yesterday's grim quarterly figures make parts of that look suspect. A £13m US pre-tax loss is bad enough, since few expect the industry cycle to reach bottom for at least 18 months. Worse is the admission that management still needs surgery, implicit in the news that 30 per cent of Royal's middle managers in Charlotte have just been fired. It is scarcely comforting that the pre-tax loss was increased by $18m added to reserves against toxic waste clean-up claims under old policies. Given that Royal bolstered its prior years' reserves by a special $200m provision last year, past reserving practices now look distinctly shaky.

Nor is it an unmixed blessing that Royal is expanding its sales of liability insurance to special large corporate customers. If this is the new Royal, it looks too much like the old Commercial Union. The shares are now rated adequately, on a prospective yield of 7.7 per cent, assuming pre-tax profits of £245m this year.

Investment trusts

Yesterday's full year figures from Globe and Witan, two heavyweights of the investment trust sector, underline the dilemma facing the big general trusts intent on remaining independent. Both manage to outperform the FT-Actuaries All- Share index (just), but not by enough to remove their above average discounts. Witan increased its dividend by 25 per cent for the second year running and is toying with the idea of linking to a Personal Equity Plan. Globe, by contrast, increased its dividend by only 10 per cent, is not interested in Peps, and is taking an increasingly aggressive stance on unquoted investments.

Both strategies have a definite appeal. The recent performance of the Fleming High Income Trust, which is trading at a handsome premium, shows the appeal of high yields, while the spectacular showing of Candover and Electra underlines the benefits of investing in unlisted securities. To survive, both trusts need to maintain the loyalty of the institutions while increasing their attractiveness to the small investor – a far from easy task.

Feldmühle Nobel

The acquisition by Veba of 46 per cent of Feldmühle yesterday proves that Germany is nowhere near ready for the hostile takeover. However, the fat profit extracted by the Flick brothers shows the system is not as rigid as popularly assumed. Indeed, Germany appears to be wide open to all the worst aspects of takeover practices and none of the best. Potential greenmailers should take note: the absence of any disclosure rules makes it possible to buy a huge stake without anyone noticing, while at the same time pretending to have no interest so as to keep the price down. While the greenmailer gets a profit, the cost is carried by the loyal white knight, this time Veba, which has somehow been persuaded to pay handsomely for a company which does not make a good fit with its own businesses. If Fehdmu"hle were left better managed at the end, it all would have been worthwhile, but as Veba can only count on 5 per cent of the votes, anything radical can be ruled out.

Whitbread

By comparison with the previous day's figures from Bass, Whitbread's full year results are decidedly on the dull side. But as with Bass, what matters for the market is not the trading history, but the Monopolies Commission. With four fifths of its profits coming either from brewing or from licensed retailing of one kind or another, Whitbread is particularly exposed. But here as elsewhere in the sector, market opinion is divided. If Lord Young grasps the nettle and forces radical change, it could be that the resulting liberation of Whitbread's assets would provide the kind of return to shareholders otherwise denied by the company's share structure. But with the shares at 361p, the multiple – excluding property profits – is in line with the market overall. For those minded to take a punt on Lord Young's thinking, there are more attractive bets elsewhere in the sector.

FINANCIAL TIMES

COMPANIES & MARKETS

Friday May 19 1989

INSIDE

Royal suffers on three fronts

Mounting claims relating to environmental pollution, the two-year-old insurance price war in the US and losses from its UK estate agency chain helped cut pre-tax profits at Royal Insurance 19 per cent to £44.7m ($72m) in the year's first quarter. The pre-tax loss of £13.3m in the US, which Mr Ian Rushton, group chief executive (above), called "most disappointing", highlighted the toll taken by fierce competition for the so-called "commercial lines" business in which Royal specialises. Nick Bunker reports. Page 25

Chinese protests fail to shake Hong Kong

Hong Kong's stock market yesterday shrugged off worries about the growing unrest in China – and about the colony's own biggest student march for years, which took place on Wednesday night – and pushed the Hang Seng Index up to one of its highest levels since the 1987 world markets crash. John Elliott *explains why* Hong Kong has not caught the jitters. Page 44

Prospecting for funds

Shares worth about FM385m ($89m) in Outokumpu, the Finnish mining and metals group, are likely to be offered to institutional investors in Japan and western Europe by the end of this year. *Mr Pertti Voutilainen*, Outokumpu's president, says this is the likely next step in the group's partial privatisation process because of the group's need to enlarge its capital base, something that has not been possible under full state control. Page 20

Restaurants beef up Whitbread

Retailing, including the group's Beefeater Steak Houses and Keg restaurants in North America, overtook brewing in profits for the first time ever in the second half as Whitbread, the brewing and retailing group, yesterday announced pre-tax profits of £223.2m ($360m) for the year to February 25. The result was an increase of 19.2 per cent over the previous year and at the top end of City forecasts. Lisa Wood reports. Page 25

Market Statistics

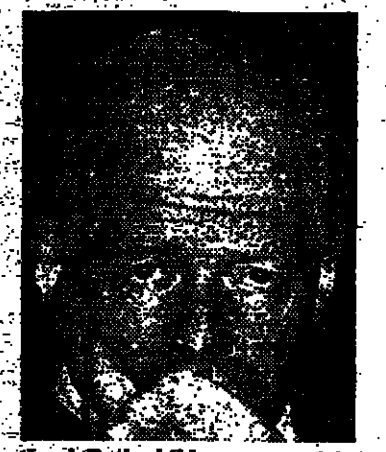
Companies in this section

Chief price changes yesterday

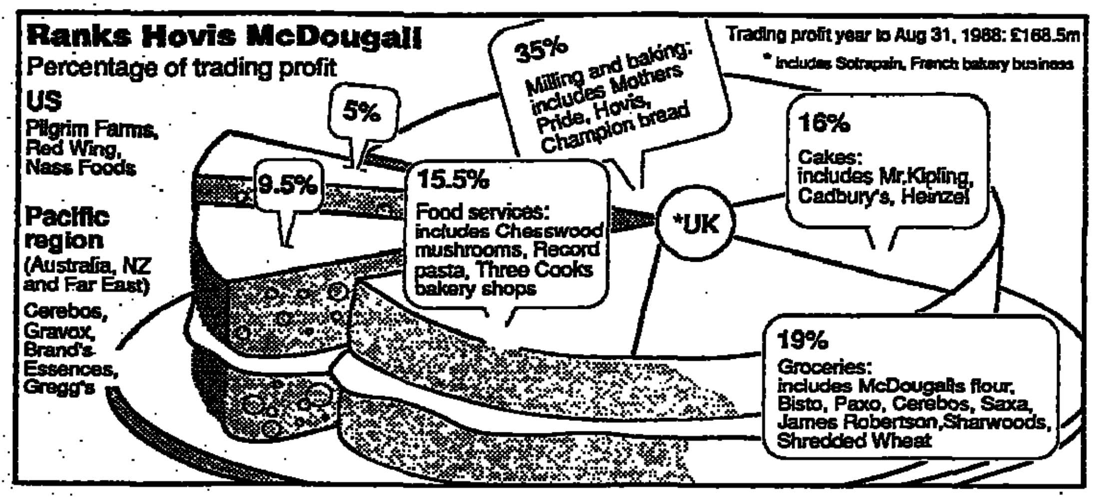
FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Karstadt	516	+	8	Geophysique	872	+	44
Nixdorf Comp.	327	+	13	Raffinage	116	+	7.5
Viag	295.5	+	8	Roussel	1710	+	106
Falls				Sogerap	465	+	36.5
Bayer Verein	371	–	4	**Falls**			
Henkel	490	–	10	Gal Lafayette	1505	–	43.5
Schering	633	–	5	Radiotechnique	683	–	18.5
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Comp. Assoc.	41⅛	+	2⅛	Tokyo Steel	4060	+	300
Smith Int.	12⅞	+	2⅛	Toyo Comm.	2060	+	150
Falls				Tsumura	1800	+	120
Avon Prods.	33⅞	–	6¼	Tsuzuki Denki	1670	+	110
Dataprods.	13⅝	–	⅞	**Falls**			
Fluke (John)	23⅝	–	⅞	Fuji Kiko	656	–	39
V Band	7½	–	1	Kenwood	1029	–	60

New York prices at 12.30.

LONDON (Pence)							
Rises				Hawker Siddeley	733	+	16
AMEC	501	+	25	Jaguar	313	+	12
Anglo Leasing	442	+	20	Ladbroke	609	+	29
Avis Europe	422	+	13	Mt. Charlotte	198	+	10
Barker (Ch)	88	+	5	Nu-Swift	481	+	15
Bass	967	+	16	RHM	436	+	79
Brit. Aero	647	+	15	Racal Elect.	508	+	18
Burmah	612½	+	13½	Rechem Envmtl.	693	+	55
Cable & Wire	580	+	40	STC	560	+	18
Calor	412	+	14	**Falls**			
Dalgety	354	+	12	Logica	365	–	24
Fine Art Devs.	249	+	18	Royal Insce.	415	–	11
GKN	400	+	14				
GUS A	1085	+	18				



Jacob Rothschild



Sir James Goldsmith

Knight's gambit puts RHM in check

Nikki Tait, Christopher Parkes and Chris Sherwell on yesterday's surprise share stake sale

IF KARPOV and Kasparov were sitting round a corporate chessboard they could scarcely have devised the intricacy of moves which have trapped foods group Ranks Hovis McDougall.

The latest twist is bitter, indeed. Just last month RHM seemed to have gained the initiative in its long struggle with Goodman Fielder Wattie, the Sydney-based foods group which held 29.9 per cent of its shares and made an abortive bid for the British group last year.

In April, RHM pre-empted the *possibility of a fresh Goodman* bid by launching a £1.3bn ($2.2bn) "Pacman" offer for the Australasian business and since then there have been a series of well-guarded talks between the two protagonists.

Earlier this week, unofficial noises from both camps were that these were progressing and, in the words of one participant: "There seemed to be light at the end of the tunnel."

Now there has been a total sea-change. RHM looks perilously close to becoming the first corporate target in Sir James Goldsmith's much-heralded return to the UK takeover scene.

As expected, Sir James is marching in tandem with the astute financial nous of Mr Jacob Rothschild, while Mr Kerry Packer – reputedly one of the richest Australians and a man who has invested alongside Sir James in the past – is also in for the ride.

Their purchase of Goodman's 29.9 per cent stake throws up permutations which are fascinating for the City of London and little short of a nightmare for RHM. As one analyst remarked yesterday: "One hesitates to predict anything is this situation." But there are, perhaps, three key questions.

First, how and why was the deal with Sunningdale, the Goldsmith/Packer/Rothschild vehicle, put together? Secondly, will – or, perhaps more pertinently, can – RHM continue with its bid for Goodman? Finally, what is the scope for breaking up RHM and is that likely to be Sunningdale's intention?

The mechanics of Goodman's stake sale seems to have started about a week ago – with the initiative coming from the buyers' end. As negotiations progressed in Australia this week, Mr Packer reportedly played a fairly pivotal role.

According the Goodman camp, the firm offer from Sunningdale arrived on Wednesday, and was made on the basis that it could only be accepted within a short period.

Some 36 hours of negotiations followed in Sydney and over international telephone lines.

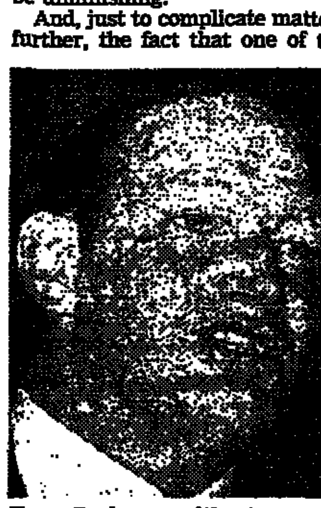
According to Goodman, which failed to find a satisfactory buyer for the holding last autumn, "It was the first time a firm offer capable of acceptance had come before us."

From the buyers' side, the deal comes just two months after Sir James formally linked up with Jacob Rothschild, taking a 37.4 per cent stake in a medium-sized leasing company called Anglo-Leasing and declaring this to be their new UK acquisition vehicle. The formalities involved in putting the required structure in place at Anglo have yet to be completed, but yesterday it was made clear that Anglo will eventually emerge as the largest single shareholder in Sunningdale.

As for RHM's own assault on Goodman, the company decided to sleep on its decision yesterday. Nevertheless, most observers believe the odds on this being called off look high. The fact that RHM's cash alternative was underwritten means that the company cannot delay too long in making up its mind – although it has until Tuesday before the next slug of costs bite.

The pressures against proceeding are various. For a start, now that RHM would no longer be buying 30 per cent of itself in the bid, the economics of the offer have changed – and there is still the Australian Foreign Investment Review Board to negotiate with. The bid, moreover, still needs 50 per cent shareholder approval. Sunningdale is totally opposed and, given the heavy trading in RHM shares during the past two days and the likelihood that arbitrageurs have built up a significant position, the chances of securing that seem to be diminishing.

And, just to complicate matters further, the fact that one of the



Kerry Packer: wealthy Australian who reportedly played pivotal role

conditions of the offer has been breached – namely, that a Goodman affiliate has disposed of a substantial part of its business or property – means that the underwriter, Morgan Grenfell, would have to consent to the offer continuing. The merchant bank would need to be mindful of its responsibilities towards the sub-underwriters. Its position could look tricky, given that ahead of yesterday's developments RHM's share price was within hailing distance of the 340p a share underwriting price, but closed last night at 436p.

Sunningdale's intentions towards RHM – assuming it gets its way, and the bid for Goodman is aborted – were unclear yesterday. Mr Rothschild refused to speculate. All he would say formally was that, "We admire RHM, but feel that the acquisition of Goodman would be a strategic mistake."

Certainly, RHM at first sight is not the obvious choice for a corporate predator with Sir James' reputation for shaking up ailing, under-managed companies. RHM's management, during the 1980s, has earned considerable respect for sustained profits and earnings growth. Nevertheless, its portfolio of strong brand names would be a mouth-watering attraction if the group were to be broken up.

The Bisto Kids, getting on for 80 and still in short pants, typify the RHM branding philosophy. This proposes that maturity and a strong personality can count for more than youth and glamour in modern consumer markets.

There is plenty of supporting evidence: Bisto still commands more than a 70 per cent share of the UK gravy mix market. Its centenarian stablemates like Hovis bread and McDougalls flour are still among the best-*known brands in the country*.

Much of RHM's grocery portfolio falls within the category of "commodity" products – its gravy, suet, flour, bread, cake mix and stuffing markets have all been attacked by retailers' own-label products – but it would prove highly attractive should it be put on sale either whole or in job lots.

It is now generally accepted that in dull, low-growth markets, it is better and cheaper to buy brands than to try to build them from scratch. The City yesterday suggested the grocery businesses could command premium prices from a wide range of potential bidders. "If a dry grocery specialist were to buy them, all the overheads would drop out and all the gross profits would drop straight to the bottom line," said Mr David Lang, an analyst at Henderson Crosthwaite.

These most valuable divisions, based in Britain, Australia and New Zealand, would help raise the group's break-up value to about 600p a share, compared with the 400p Sunningdale paid yesterday for its stake, he added, though some other analysts were more conservative in their valuations.

Judicious investment in capital equipment and promotion have lately rejuvenated the group's manufacturing capacity and its brands. A modest (by current standards) acquisition policy has brought it more famous names, like Shredded Wheat breakfast cereals bought from Nabisco last November. In 1987, the purchase of Avana Foods gave it brands like Robertson's jam and bolstered *its presence in the own-label* food trade.

But while RHM has been adding to the filling, bread and flour milling is still the main component in its corporate sandwich, accounting for well over a third of sales and profits. Rejuvenation therapy has been applied here, too, with tangible success.

New product launches, extension of existing brands like Mothers Pride into new lines, and *hefty manufacturing rationalisation* in the early 1980s have helped stop the long-term decline in bread consumption, and brought the division into profit, forecast at about £65m this year compared with a £1m loss in 1983.

RHM currently shares about 60 per cent of the UK bread market with Associated British Foods.

While there was considerable speculation yesterday that bread and milling might be earmarked for sale to Goodman Fielder, European and US cereal-based companies might also want to take a hand.

There would be considerable overseas buying interest in all of RHM's British operations. There may be few giant brand names in its portfolio, but RHM has less evident assets, such as its food ingredients businesses supplying other manufacturers: almost everyone uses flour. Behind Rowntree and Cadbury, it is the country's third largest chocolate maker, specialising in coating chocolates for snacks and biscuits.

European food groups discuss plans for co-operation

By **Maggie Urry** in London and **David Brown** in Amsterdam

THREE OF Europe's leading food retailers – Argyll in the UK, Royal Ahold in the Netherlands, and Casino in France – announced yesterday that they had agreed to discuss co-operation on a wide range of operational fronts. Companies from other European countries could also join the partnership.

Analysts said the move was important in the long term and could bring sizeable savings to the companies involved. It could eventually lead to cross-shareholdings or even a merger to form a pan-European food retail group. Together the three companies have the largest market share in Europe.

The three are looking at co-operation on buying, marketing, production, distribution, development of store formulae and of computer-based management information systems.

Food retailing is still largely confined to domestic markets, though Ahold and Casino both have operations in the US. However, *many European supermarket groups* have been looking at ways to expand outside their national boundaries, spurred by the prospect of a single market after 1992 and by saturation in their home markets.

Continental European supermarkets have cast envious glances at the much higher profit margins made by UK food retailers. The continental companies have other advantages – *for instance Ahold is experimenting* with a supermarket where customers even add up their own bills electronically.

Mr David Webster, deputy chairman of Argyll, said the retailers' agreement "makes sense without 1992 and even more with it."

He said that many food manufacturers were now looking at Europe on a pan-European basis when making decisions on issues such as marketing and the siting of production facilities.

The three food retailers could join together to counter-balance the growing strength of the large food manufacturers, to source fresh produce, and to produce own-label goods. Both Ahold and Casino produce much of their own-label products themselves.

Mr Webster said that by the end of 1989 the three expected to have identified a number of worthwhile projects. There could be joint ventures, he said, for instance one to developing Argyll's Safeway chain

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Veba acquires 46% of Feldmühle in $508m deal

By David Goodhart in Bonn

VEBA, the West German energy group, yesterday paid more than DM1bn ($508m) for 46 per cent of the Feldmühle Nobel industrial conglomerate in a deal which may represent a breakthrough for assertive shareholder behaviour in the German market.

Veba, which immediately announced a one-for-10 rights issue to raise about DM950m, has bought 40 per cent of Feldmühle from a shareholder group led by Mr Friedrich Christian Flick, who along with his brother, Mr Gert-Rudolf Flick, has been stalking Feldmühle for more than 18 months. The rest of the shares will be acquired from others.

It appears that the Flicks, advised by Merrill Lynch, have been quietly accumulating shares since their aborted contested bid for Feldmühle last June and when it became clear that they could not win management control they organised an auction. Swedish and US companies are thought to have been interested in the stake.

To protect itself last year from a Flick takeover Feldmühle introduced a 5 per cent voting limit for shareholders, which means that Veba does not automatically inherit management control.

However, the energy group insisted that the deal was *friendly*. It would look closely at the industrial possibilities before deciding whether to make an offer for the rest of the company. The two companies have a joint press conference today.

The Flick brothers did not reveal the profit they made on the transaction but analysts believe they could have bought a large part of the stake at around DM300 a share. The shares were suspended yesterday at DM361, representing a market capitalisation of about DM2.5bn, and the stake was probably sold at a premium.

The brothers, who are grandsons of the German industrialist Friedrich Flick, have made it plain that they wish to use some of their large personal fortune to break open what they regard as the too cosy relationship between managements, banks and passive shareholders in Germany and make possible contested bids.

Analysts believe that this transaction will be seen as a step towards that goal only if the *Veba management* is able to rationalise its new acquisition.

The Flicks have a personal interest in reform. Feldmühle is a conglomeration of former Friedrich Flick companies which were sold in 1985 to Deutsche Bank for DM5bn.

The bank then recouped most of that price through selling two large Flick investment stakes and was still left with the industrial interests. These were packaged together and sold to the public for DM2bn in Germany's largest ever public flotation.

The Flick brothers maintain that Deutsche Bank under-paid for the Flick assets. They are also critical of the way Feldmühle has been managed since the float.

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Wallenberg takes Christies stake

By Clare Pearson in London

THE WALLENBERG group of companies, controlled by Sweden's dominant industrial family, is to become a significant shareholder in Christies International following the sale of 8 per cent of the group's shares by three present or former directors of the London auction house.

The stake disposals, announced yesterday, come at a sensitive time for Christies, following the announcement this week that ADT, the Bermuda-registered electronic security systems and vehicle auction group chaired by Mr Michael Ashcroft, had acquired 4.5 per cent of the total share capital. It was also announced Mr Robert Holmes à Court, the Australian businessman, had upped the holding he acquired last year to 5.9 per cent.

Yesterday's deal gives the Wallenberg group about 3 per cent of all Christies' shares. It has the support of Christies, which said the link with the Wallenberg family should help it deepen connections with sellers of Scandinavian art.

However, The disposals mean a reduction in Christies' defensive armoury, in that a block of special "A" shares, which are voted as a block by their trustees, will fall from about 19 to 10.9 per cent of the total share capital through conversion into ordinary shares.

A Christies spokesman said yesterday: "I can see the timing of these sales might not appear impeccable to an outsider, but these individuals had been looking for an opportunity for some time."

The shares are being sold by Mr Jo Floyd, former chairman of Christies and still a director, Mr Guy Hannen, former managing director, and another retired director, Mr Arthur Grimwade. The Wallenberg group is acquiring 37 per cent of the shares being sold. The balance has been placed with existing institutional investors.

Lufthansa earnings hit by traffic control problems

By Haig Simonian in Frankfurt

GROUP NET profits at Lufthansa, the West German national airline, fell by almost 9 per cent to DM81.6m ($41.4m) last year, partly on account of a worsening in Europe's acute air traffic control problems, which cost the company some DM93m in 1988.

In the first four months of this year, the cost of air traffic control delays rose by a further 16 per cent against the same period last year to DM47m.

Issuing a list of 10 demands for improving air traffic handling, Mr Heinz Ruhnau, Lufthansa's chief executive, called for a harmonised and modernised European air traffic control system.

He welcomed this week's decision by the Bonn Government to commercialise the national air traffic control system to allow greater pay flexibility and boost recruitment of air traffic controllers.

Group turnover rose 8.1 per cent to DM11.8bn last year, due mainly to gains in both passenger and freight volumes. Passenger numbers rose 5.7 per cent to 19.4m, while the Condor charter unit carried 3.1m.

Freight volume increased by 12.5 per cent to 826,000 tonnes. As forecast last year, the bulk of growth came from the Asia/Pacific region, with a 19.5 per cent increase.

Growth was sustained in the first fourth months of this year, with a 5.7 per cent rise in passenger numbers and a 12 per cent increase in freight and mail.

Net profits at parent company level rose almost 15 per cent to DM99m last year, allowing a dividend rise to DM4 a share from DM3.50 in 1987.

Mr Klaus Schlede, finance director, shed little new light on the timing for the next step in Lufthansa's part-privatisation, which will reduce the public sector stake to around 54 per cent from 76 per cent.

The change, which will come via a rights issue yet to be approved at the company's annual meeting in July, could still come this year, he said, but he implied that action in 1990 was more likely.

Standards move by computer factions

By Louise Kehoe in San Francisco

THE COMPUTER industry took a tentative step toward resolving the contentious issues surrounding the movement toward "open systems" yesterday when the Open Software Foundation, led by International Business Machines, and the rival standards body, Unix International, led by AT&T, became members of a neutral standards setting group called X/Open.

All three organisations are committed to creating standards that enable different types of computers from different manufacturers to share software and data. The industry is agreed that AT&T's Unix computer operating software should form the basis of that standard but are split over which version should prevail.

The Open Software Foundation has chosen a derivative of Unix created by IBM called AIX as the basis for its approach to open systems, while Unix International is committed to AT&T's Unix System V version. X/Open, which selects rather than creating standards, has so far been able to maintain a neutral role.

The split has become a major issue throughout the world computer industry, and shows little sign of resolution. Yesterday's moves by OSF and Unix International represent what may, however, be the first step toward a partial reconciliation.

As members of X/Open, both OSF and Unix International will have an opportunity to influence the process of defining a common specification for open systems at a time when X/Open is addressing some of the most contentious standards issues such as the choice of a user interface that will define the "feel" of computers.

Membership will, however, bring the groups together to discuss their differences for the first time in months.

"We are eager to work with X/Open and its other members to define our mutual roles in bringing open systems to the industry," said Mr Alex Morrow, vice president of OSF.

Mr Peter Cunningham, president and chief executive of UI, said: "Unix International fully supports and endorses X/Open's role in establishing a common applications environment and we welcome the opportunity to assist them in becoming the leading reference centre worldwide."

The industry groups' decisions to join X/Open are, however, largely symbolic. Most of the large computer companies in each group are already represented on the board of directors of X/Open.

Campbell Soup 94% ahead

By Karen Zagor in New York

CAMPBELL SOUP, the big US producer of canned soups, juices and foods, yesterday reported that sales and profits continued to grow in the third quarter despite several unfavourable factors.

For the three months to April 30, net income leapt 94.2 per cent to $43.5m or 34 cents a share from $22.4 or 17 cents the previous year. The year-ago results include an after-tax restructuring charge of $30.8m or 24 cents. Excluding the charge, this year's earnings would have been 18.2 per cent lower. Sales for the period were up 20.5 per cent at $1.45bn against $1.21bn a year earlier.

The Camden, New Jersey, company said this year's earnings were depressed by 14 cents a share for several reasons,including unfavourable currency translations in Argentina, the cost of an employèe stock ownership plan and problems in the UK's plant consolidation programme.

The company said these factors also depressed earnings for the first nine months. Net income for the period was $207.8m or $1.61, against $201.9m or $1.56.

Campbell International's operating income for the quarter was $11.5m on sales of $417.9m, compared with $10.3m on revenues of $267.7m. The company said the improvement in sales was primarily due to acquisitions.

Campbell USA reported pretax operating earnings of $69.9m on sales of $696.4m, against $17.8m on sales of $621.2m. Sales were boosted by exceptionally strong volume growth in several traditional businesses including soups and V8 juice.

Pepperidge Farm, which produces bread, cakes and other baked products, reported virtually flat operating earnings of $12.2m on sales of $134.9m, against $12.1m on $118.1m revenues.

The company's frozen seafoods sector, Mrs Paul's Kitchens, recorded operating income of $1.2m on sales of $42.4m, compared with a loss of $6.8m on sales of $52.2m.

Bronfmans reorganise Edper

By Robert Gibbens in Montreal

THE Peter and Edward Bronfman team, which has built Canada's largest diversified holding company with C$100bn (US$84bn) in assets, has reached a parting of the ways because of age and family pressures.

The two brothers plan a major reorganisation of their Edper Investments, through which they control Brascan Holding Company and major financial services, consumer products and resource companies such as Royal Trustco, John Labatt and Noranda Inc.

Peter Bronfman, always most directly involved in building the Edper empire, remains at the helm. Edward's half share will be taken over partly by the senior management group including Mr Jack Cockwell and Mr Trevor Eyton, senior officers of all the principal companies.

The senior management group is taking over Edward's place for an investment of between C$50m and C$100m. The assets belonging to Edward and his family will be placed in a new company, Edper Enterprises, which will go public next month with a C$100m stock issue.

Edward will end up owning 33 per cent of Edper Enterprises, his brother and the management group 57 per cent and the public 10 per cent.

The Edper story, already the subject of several books, began more than 20 years ago when Peter and Edward, sons of the late Mr Allan Bronfman, decided to build a business empire to rival the power of their two cousins, Edgar and Charles Bronfman, who had inherited the Seagram distilling group from their father, Mr Samuel Bronfman. Samuel had always refused to allow his brother Allan to play any significant role in Seagram and prevented Allan's two sons from working for the company.

Peter and Edward took control of a shell company, Great West Saddlery, and went on the takeover trail. They met their match when, at a dramatic shareholder meeting in Montreal, their bid for Great-West Life Company, a powerful Winnipeg-based insurance group, was defeated.

Peter and Edward, now in their 60s, moved to Toronto where they assembled a skilful management team and built the Edper-Brascan group.

● Brascan, the financial services, consumer products and resource group controlled by Peter and Edward Bronfman interests, reported a 25 per cent jump in earnings per share for the first quarter and said 1989 should be a record year. Earnings rose to C$71.1m or 74 cents a share, up from C$57.3m or 59 cents a year earlier, on revenues of C$2.3bn, against C$2.1bn.

Outokumpu to mine foreign vein

Kenneth Gooding on the Finnish metals group's financial strategy

Before the end of this year, institutional investors in Japan and western Europe are likely to be offered shares worth about FM385m ($89m) in Outokumpu, the Finnish mining and metals group.

According to Mr Pertti Voutilainen, Outokumpu's president, this would be the preferred next step in the group's partial privatisation process.

He says Outokumpu needs to enlarge its capital base, which was not possible under full state control because the Government was not prepared to provide more equity funding.

Only about 3 per cent of the cash spent on acquisitions in the past 10 years has been provided by new capital. Today, equity accounts for only 25 per cent of Outokumpu's total assets. However, it is paying a moderate average interest of 8.5 per cent on the borrowings which make up the rest.

The group had to hold capital expenditure in check last year – it was a relatively low FM700m – after a big jump in acquisition payments in 1986-87, the most important of which was FM600m for Metalverken of Sweden.

The timing of Outokumpu's potential approach to foreign institutions could hardly be better. Soaring metal prices sent income before extraordinary items and taxes last year up from FM198m to FM1.2bn on sales which increased from FM8bn to FM10bn.

In the first three months of this year, sales at FM3bn were 39 per cent ahead of the same period of 1988 while income before extraordinary items and tax rose from FM95m to FM600m. Mr Voutilainen says the result for the whole of 1989 is expected to be "very good."

At the group's annual meeting last month, resolutions were passed to allow the Finnish state's 75 per cent shareholding (60.7 per cent held directly and 14.3 per cent via the state-owned Social Insurance Institution) to be reduced to 51 per cent and for foreigners to hold Outokumpu equity.

Mr Voutilainen says he would prefer the state to reduce its shareholding to below 50 per cent, "but that is a political decision."

Hard on the heels of the annual meeting Outokumpu said it would offer 4.5m of the 10m newly-authorised shares to the Finnish public and the group's employees and pensioners to raise about FM330m.

That leaves 5.5m shares with a face value of FM10 and currently trading at between FM70 and FM80 each for foreign institutions.

More than 6,000 employees already own equity in the group after swapping some of their pension entitlements for 24 per cent of Outokumpu last October when the shares were listed on the Helsinki stock exchange.

The proceeds of the share offering will be used primarily to develop Outokumpu's strongest business sectors. Among key targets are the stainless steel operations, which provided about half the group's profit last year. Capacity is being expanded from about 150m tonnes a year to 250m tonnes at a cost of FM200m.

Expansion of the ferrochrome operations are also in a capital expenditure programme which has been boosted to FM1.2bn for 1989.

This illustrates Outokumpu's determination to increase its downstream metal operations. Mr Voutilainen reckons that Outokumpu will still be a base metals group in 10 to 15 years, "but the downstream metalurgical operations will be much larger."

He also wants Outokumpu to remain an integrated group, owning or at least controlling the mines providing it with raw materials.

Mr Voutilainen suggests any natural resources company which is an important part of its domestic economy runs into similar difficulties from time to time. "We've come through a bad patch but among those people who count in the political arena in Finland the image of the group is good."

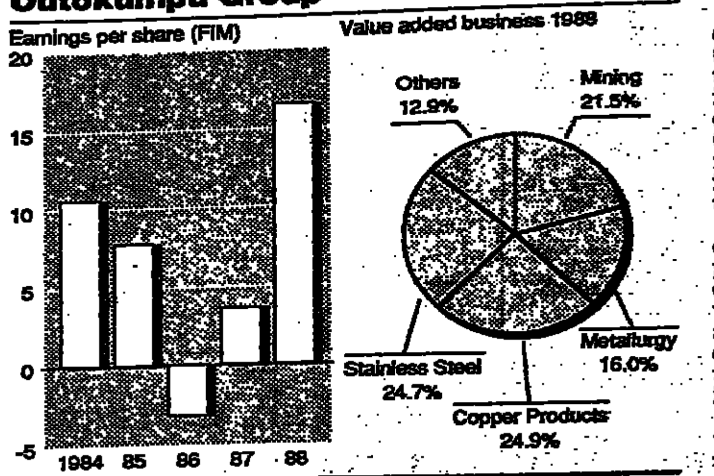
With the group's flotation out of the way, the next important step will be to reorganise the group's business sectors as independent corporations. The copper products division and Outomec, the equipment business, have been functioning as independent subsidiaries since the beginning of this year.

Mr Timo Salovaara, president of Outomec, which supplies a range of specialist equipment, processes and services for industrial purposes, all linking to the technologies of the Outokumpu group, says the changes will give subsidiaries more independence.

And he suggests, "It will take decision-making closer to the customers. It will give more responsibility to the management of the subsidiaries and with responsibility comes motivation."

Some hint about the possible flotation date of Outomec is perhaps provided by the fact that the subsidiary has been set a target of becoming a major contributor to group net profit by lifting its current 4 per cent contribution to about 10 per cent in three years, mainly by acquisitions.

Mr Voutilainen believes the copper division is already ripe for a separate flotation. But he says: "We must wait for a while and learn and see how the parent group gets on."



Navistar profits halved in second quarter

By Roderick Oram in New York

SECOND-QUARTER profits at Navistar were halved by the cost of introducing new trucks, additional expenses from running at near maximum manufacturing capacity and lower spare parts sales, the company reported yesterday.

The Chicago-based company, which has a big share of the US market for medium- and heavy-duty trucks, said its net profits for the three months ended April 30 were $35.4m or 11 cents a share, compared with $70m or 24 cents a year earlier.

Sales edged ahead to $1.09bn from $1.05bn.

Net profits for the half-year were $72.8m or 23 cents a share, against $114.9m or 39 cents, on sales of $2.04bn, compared with $1.98bn. The year earlier profit was after a $14.8m loss from discontinued operations.

Second-quarter truck sales increased 3 per cent, shipments of diesel engines to other manufacturers rose 12 per cent but parts sales fell 6 per cent.

Paced by particularly strong sales of medium-duty trucks, Navistar increased its share of the US medium and heavy truck market to 27.9 per cent in the second quarter from 27 per cent a year earlier.

Hitch for air tickets link

By Roderick Oram

THE US Department of Transportation is seeking major changes to the planned merger of American and Delta Airlines' computer reservations systems to minimise any reduction in competition.

It has asked Mr Richard Thornburgh, the Attorney General, to enforce the changes before his department clears the deal under anti-trust laws.

"We believe the transaction should be challenged unless it is modified to include at least one additional airline owner and to assure separate management and marketing," Mr Samuel Skinner, Transportation Secretary, wrote to Mr Thornburgh.

The two airlines announced in February they would pool their systems in a partnership. Delta, which has the smallest of five such systems in the US, is to pay American $650m to buy into the partnership.

American's Sabre system is used by travel agents to book some 37 per cent of domestic air travel.

US software group boosted by takeovers

By Roderick Oram

COMPUTER Associates, one of the leading US software groups, has reported soaring full-year revenues and profits fuelled by takeovers and brisk internal expansion.

Net profits for the fiscal year ended March 31 rose 61 per cent to $163.5m or $1.96 a share fully diluted, from $101.8m or $1.25 a year earlier.

Sales grew 45 per cent to $1.03bn from $709.1m.

Fourth-quarter net was $55m or 65 cents, up 63 per cent from $33.8m or 41 cents a year earlier.

Revenues were ahead 51 per cent to $311.4m from $206.4m. The company will make a two-for-one stock split to shareholders of record May 30.

Mr Anthony Wang, president, said the results reflected the smooth integration of Applied Data Research, which his company acquired last October.

The past year's performance shows Computer Associates can "comfortably sustain an internal growth rate of 30 to 35 per cent without acquisitions."

The company, based in Garden City, a New York suburb, currently has 6,500 employees in 22 countries.

Analysts consider it a formidable power in the software market given its array of products for mainframes down to microcomputers and its extensive worldwide operations.

Despite a string of acquisitions in recent years, the company's balance sheet remains strong with a low level of long-term debt.

This financial power will allow the company, analysts believe, to continue its strategy of buying up other players in the industry to expand its product line and reduce competition.

Volvo's 30% gain fails to impress

By Robert Taylor in Stockholm

VOLVO, the Swedish automotive group and the biggest private company in Scandinavia, yesterday announced a 30 per cent increase in its first-quarter operating profit to SKr1.99bn ($299.2m) from SKr1.54bn a year ago.

Sales rose by 8 per cent compared with the first quarter of last year from SKr21.4bn to SKr23.07bn.

"The company's earnings are assured," said Mr Gunnar Johansson, president, yesterday. "Our competitiveness continues to be strong."

However, there was some disappointment among analysts at the group's results. "They are not as good as we expected," said Mr Brian Knox at Kleinwort Benson in London. The opinion in Stockholm was that they fell slightly below market expectations.

But there was also a general view that Volvo should have a better overall result for 1989 as a whole compared with last year. "The core car, truck and bus business looks strong," said one analyst in Stockholm yesterday. "Volvo remains a very solid company."

Gunnar Johansson: 'company's earnings are assured'

Volvo enjoyed a 20 per cent increase in its car sales in the first quarter compared with the same period of last year – up from SKr9.27bn to SKr11.08bn, although the total number of cars delivered to customers was only 106,000, 1,000 less than for the first quarter of 1988.

Despite severe competition, Volvo saw a slight rise in its car sales in North America. Across much of Western Europe, specifically in Britain and West Germany, Volvo car sales increased though they fell back in the Nordic area.

The company continues to have an impressive performance in its trucks division, where there was a 27 per cent rise in sales – up from SKr4.68bn to SKr5.94bn.

Although Volvo points out that there has been "a certain levelling off in order bookings in some western European markets" for its trucks, its order backlog remains "very large." In the first quarter it delivered 14,300 trucks to customers, compared with 12,700 in 1988.

Although there was only a 4 per cent rise in sales for Volvo buses, from SKr808m to SKr841m, the company said order books were higher now than in 1988. The company also reported a 10 per cent improvement in its sales in marine and industrial engines as well as a 41 per cent jump in sales in its aerospace division.

But the food operating sector continues to give Volvo a headache, with a 4 per cent decline in sales, mainly due to losses in the Abba subsidiary in fish trading operations.

In the first quarter of 1988 Volvo suffered badly from a crippling national strike by white-collar workers and received SKr400m in compensation from the Swedish employers federation paid out in the last quarter of last year to meet some of its estimated losses of around SKr880m.

But an added complication for the company in the 1989 first quarter has come from the disinvestment of its loss-making oil operations.

Volvo has not disclosed the size of the losses which have been set against its operating income, but analysts believe they amount to around SKr150m.

The company also announced yesterday that it intended to seek a stock exchange listing for the joint real estate company it said it was forming with several leading Swedish pension funds and insurance companies in March.

Asea Brown Boveri new orders up 13%

By John Wicks in Zurich

ASEA BROWN Boveri, the Swiss-Swedish engineering concern, yesterday reported a 7 per cent rise in group turnover for the first quarter from $4.1bn to $4.4bn.

At the same time, new orders jumped by 13 per cent from $4.74bn to $5.38bn, with "substantial" increases reported from the power-transmission, power-distribution and industrial divisions.

Operating earnings, for which no comparable 1988 figures are available, amounted to $394m and pre-tax profits to $229m.

● Oerlikon-Bührle, the Swiss industrial concern, expects a "marked increase" in turnover and improved profitability for the current year.

In 1988, group sales had increased by around 3 per cent to SFr4.23bn ($2.4bn), while there was a reduction in the consolidated net loss from SFr115.2m to SFr35.5m.

At its June 8 shareholders' meeting the Zurich-based parent Oerlikon-Bührle Holding (OBH) is to propose that dividends be passed for the third consecutive year.

Despite the anticipated improvement in earnings in 1989, Mr Michael Funk, OBH general manager, said the company reckoned that net results for the year would only about reach break-even. This is attributed to continuing high costs and a repeated overall loss on military products.

● Winterthur, the Swiss insurance company, is to pay an increased dividend for last year following a 15.2 per cent rise in consolidated net earnings to SFr220.5m ($125m).

It also plans a one-for-eight rights issue priced at SFr1,800 per share and SFr360 per participation certificate. The dividend payouts will be SFr64 and SFr12.80 respectively, compared with SFr60 and SFr12 last year.

Strong demand boosts Thyssen's half-year earnings

THYSSEN, the diversified West German steel and engineering group, said net profit soared 28.7 per cent in the first half of fiscal 1989, reflecting continuing good demand in foreign and domestic markets, writes Our Financial Staff.

Net rose to DM372m ($188.5m) in the six months ended March 31 from DM289m a year earlier, while sales advanced to DM16.4bn from DM13.8bn. Pre-tax profit more than doubled to DM892m from DM443m.

Thyssen said taxes reduced net profit more in the current fiscal year, because losses carried forward significantly reduced year-earlier tax costs.

Steel sales rose 18.7 per cent during the first fiscal half to DM5.73bn from DM4.83bn. Thyssen cited higher production, higher prices and good German and foreign steel demand.

● Mannesmann, the steel and engineering group, said profits in the first three months of 1989 were at the good level seen in the same year-ago period.

Most company divisions "achieved or superseded their results achieved in the corresponding year-ago period." It gave no figures.

Group third party sales increased by 1 per cent, amounting to DM4.7bn in the January to March period.

● Linde, the engineering concern, said its group profit rose in the first quarter of 1989 from a year earlier following a 37.6 per cent jump in world-wide group sales.

It did not disclose any profit figures.

Turnover soared to DM1.34bn from DM972m a year earlier. Group order inflow climbed 45.8 per cent to DM1.56bn from DM1.07bn.

Astra opens year with 30% leap in profit

By David Bartell in Stockholm

ASTRA, the Swedish pharmaceutical company, increased net profits by 30 per cent from SKr304m ($46m) to SKr397m in the first quarter, while sales rose by 25 per cent from SKr1.42bn to SKr1.78bn.

The company had previously predicted that profits and sales would increase by about 12 per cent in 1989. Because of favourable conditions in some of Astra's principal markets, sales and earnings are now expected to increase "at a somewhat faster rate," the company said.

Sales of the cardiovascular agent, Seloken, Astra's best selling product, increased by 8 per cent. Turnover in the cardiovascular agent business area rose by 14 per cent to SKr479m.

The largest improvement was recorded in sales of agents for gastro-intestinal diseases which rose by 86 per cent to SKr90m. Losec, Astra's new anti-peptic and ulcer agent was introduced in Switzerland, Denmark, Norway and the Philippines during the first quarter.

First-quarter earnings per share after tax are estimated at SKr2.65 compared with SKr2.1 for the corresponding period last year.

Meanwhile Gambro, the Swedish manufacturer of kidney dialysis and intensive care equipment, reported yesterday a 17 per cent increase in profits before financial items for the first four months of the year from SKr73m to SKr86m, writes Robert Taylor.

The company said it expected the "favourable trend" in earnings to continue through the rest of 1989.

In his message to the annual shareholders meeting Mr Berthold Lindqvist, president and chief executive, said that Hospal, Gambro's French acquisition of two years ago, had "experienced major success with its sophisticated synthetic membrane AN-69."

The meeting voted to approve an increase in dividend by 50 per cent to SKr1.80 per share, corresponding to a total payout of SKr41.2m. This will be paid on May 29.

Amway's $2.1bn bid for Avon is dropped

By Karen Zagor in New York

THE VITRIOLIC war of words between two major US door-to-door marketing groups ended Wednesday night with Amway dropping its $2.1bn offer for Avon. It called Avon's earlier rejection of the $39 a share bid "hysterical, irresponsible and irrelevant."

Wall Street responded to the news by lowering Avon's shares $6¼ at $33⅞ by early afternoon. Some 8 per cent of Avon's shares changed hands.

The heavy sell-off reflected analysts' views that Amway was indeed bowing out rather than dropping the bid as a tactical ploy. The company said from the start it was interested only in a friendly takeover.

In a letter to shareholders, Mr James Preston, Avon's chairman, said :"We are excited about the future and are confident that the long-term value of Avon common stock is significantly higher than $39 per share."

Avon, the world's largest manufacturer of cosmetics and toiletries, projects growth from continuing operations to be 35 to 41 per cent this year, with per share earnings of about $2.35 on a fully diluted basis against $1.70 last year. For 1990, Avon expects earnings to exceed $3.35, climbing above $4 in 1991.

"These earnings, which substantially exceed management's earlier expectations, will be generated by our basic beauty business," said Mr Preston. He added that the company will have almost entirely moved out of its health care businesses, which were never successful, by the middle of this year.

In an open letter to Amway, Mr James Preston, chairman of Avon, said the proposed merger was not in the best interests of Avon and its shareholders. He said Amway was "an admitted criminal" having pleaded guilty to defrauding the Ontario government of "tens of millions of dollars in customs duties."

Avon also claimed that Amway "skirted federal laws by forming a partnership with Irwin Jacobs, a well-known corporate raider, which secretly bought approximatley 10 per cent of our common stock. After this secret acquisition by the partnership, Amway alone proposed to acquire Avon. Jacobs, your tactical adviser, now stands to make a killing at our shareholders expense as a result of his advance insider knowledge of the takeover attempt."

"In addition, two key Amway executives, Otto Stolz and William Nicholson, individually acquired Avon shares or options in advance of the public announcement of Amway's intentions. Now you claim such acquisitions were on behalf of the partnership."

Avon has asked Federal enforcement officials to investigate thse matters.

Amway, a privately held distributor of domestic cleaning products which, like Avon, sells door-to-door, called Avon's allegations "baseless, reckless and defamatory."

Acquisitions spur Lego

By Hilary Barnes in Copenhagen

LEGO, the Danish manufacturer of toy construction kits, doubled pre-tax profits from DKr200m to DKr405m ($53.6m) in 1988 on net sales up from DKr2.37bn to DKr3.24bn.

Some 40 per cent of the advance in profits reflected an increase in the number of companies in the group.

Lego is a family-owned, unlisted company. The published accounts cover companies employing about 3,700 out of Lego's total worldwide payroll of 5,900.

The 1988 results were described as "very satisfactory." Competition increased, said Lego "but consumers in many markets showed a clear preference for our products and sales of imitations did not increase in 1988."

Lego said deliveries to retailers increased last year by 10 per cent and retail sales to customers increased by 13.5 per cent.

There is good reason to expect a further positive development in sales and an increase in market shares in 1989, Lego added.

Good first quarter for Dutch insurers

By David Brown in Amsterdam

AMEV, one of Holland's top three insurance groups, reports a 22 per cent gain in first-quarter profits from Fl 53.5m to Fl 65.5m ($29.5m). Revenues advanced by 9 per cent to Fl 2.6bn from Fl 2.4bn for the same period of 1988.

Life insurance – 86 per cent of total profit – showed only modest gains, from Fl 54.6m to Fl 56.4m, with a gain in the US failing to compensate for deterioration in most other markets. Premium income fell by 7 per cent to Fl 919m.

Non-life business recovered from Fl 5.5m loss last year to a Fl 19m profit, helped especially by positive developments in the Netherlands. Profit on other activities rose from Fl 12.7m to Fl 17.4m.

Accident and health insurance showed a sharp 32 per cent rise in premium income to Fl 570m, while income from other non-life insurance grew 3 per cent to Fl 525m.

Amev, which recently announced plans for an alliance with Verenidge Spaarbank, the country's biggest savings bank, still expects an improvement in full-year profit per share over the Fl 4.98 achieved last year.

Earlier this week Aegon, another big Dutch insurance group, reported an 18 per cent rise in net profit for the first quarter of 1989 to Fl 102.7m from Fl 86.8m for the same period a year earlier.

The group said revenues had advanced by 16 per cent to Fl 3.65bn from Fl 3.15bn. Earnings per share rose from Fl 2.36 to Fl 2.71.

Life insurance premiums rose from Fl 1.43bn to Fl 1.6bn. But profit in this sector was under pressure on the US market and slipped from Fl 107m to Fl 106m.

Non-life business climbed from a negative Fl 3m to a surplus of Fl 14m, on revenues of Fl 580m. Accident and health also rose from Fl 3m to Fl 9m on revenues of Fl 418m.

Aegon predicts that net profit and per-share income for the whole of this year will show a "clear increase" over the Fl 10.57 for 1988 despite last month's rights issue.

INTERNATIONAL COMPANIES AND FINANCE

Westpac and NAB stride ahead

By Bruce Jacques in Sydney

WESTPAC BANKING and National Australia Bank (NAB), two of Australia's big three private sector banks, have overcome rising bad debt provisions to record substantial earnings improvements in the March half-year.

Westpac lifted net earnings by 63 per cent to A$377.0m (US$285.5m) against a 52 per cent increase to A$408.5m by the National. But Westpac had the worse experience with doubtful debts, lifting its charge against profits to A$226.0m from A$130.8m. This mainly reflected problems with the loan portfolios of the company's merchant banking arms, Partnership Pacific and Westpac Merchant Finance.

Directors indicated the merchant activities were particularly hit in the shaky New Zealand economy where write-offs totalled $A48.1m with a further $A77.1 written off in Australia.

In contrast, the NAB result followed a 17 per cent fall in doubtful debt write-offs to A$143.9m, and total provisions carried in the accounts eased to A$444.6m from A$670.2m.

The earnings break-up among the two banks' various divisions also reflected large performance differences. Westpac disclosed a 73 per cent lift to A$200.9m in total banking profits, but its investment and merchant banking subsidiaries slumped from a A$30.1m profit to a A$32.1m loss, reflecting the bad debt write-offs.

Australian Guarantee Corporation, its finance offshoot, lifted earnings 28 per cent to A$46.8m.

Against this, the NAB's much smaller merchant banking activities recorded a steady A$3.2m profit while finance and insurance operations more than doubled earnings to A$24.3m.

Its UK/Irish bank division lifted its contribution 50 per cent to A$72.8m, but the big boost came from domestic trading bank operations which lifted their contribution 70 per cent to A$265.2m. Savings bank earnings were down by 20 per cent to A$25.8m.

Westpac was ahead on payout ratio, recording 68 per cent on two interim dividends, while the National's ratio was 49 per cent. Each is paying 25 cents a share, up from 15 cents.

Westpac's return on total assets – which grew 25 per cent to A$101.1bn – slipped from 0.74 per cent to 0.61 per cent. On a considerably smaller and virtually steady asset base of A$65.8bn, NAB lifted its return from 1.0 per cent to 1.3 per cent.

On future performance, Westpac directors said underlying progress was strong despite the increased bad debt provision.

But they warned that economic activity was slowing and margins would suffer. The NAB board echoed the remark, predicting difficult second-half operating conditions and tight monetary policy.

Holmes a Court wins control of Sherwin

By Our Financial Staff

MR ROBERT Holmes à Court, the Perth businessman who renounced public corporate life after the October 1987 stock market crash, yesterday cemented his return by claiming majority control of Sherwin Pastoral, a big Australian livestock and rural property group.

Officials of Heytesbury Holdings, Mr Holmes à Court's private investment company, said he had gained 53 per cent of Sherwin through the purchase of a one-third holding in the company from Mr Peter Sherwin, its founder.

Mr Holmes à Court paid A$1.20 a share for the stake, equivalent to the market price yesterday and valuing the company at some A$88.6m (US$67.1m).

This represents an improvement on his previous A$1.15 per share bid made last week and the A$1.12 offer from Bankers Trust Australia, the merchant bank.

Bankers Trust holds 22.4 per cent of Sherwin and said yesterday it had not yet decided whether it would sell. Each side last week gained board representation.

Mr Holmes à Court launched an initial A$1.02 a share bid for Sherwin on the anniversary of the crash last year.

Since then he has also been active in the London market, building minority stakes in Dalgety, the agribusiness group, and Christies International, the auctioneer.

● The Australian Broadcasting Tribunal was yesterday said to have delayed a decision on the fitness of Mr Alan Bond to hold a broadcasting licence, a ruling which had been expected on May 26. Mr Bond, who took over Mr Holmes à Court's Bell empire, is contemplating court action against the tribunal.

Yamaha Corp profit falls 33%

By Robert Thomson in Tokyo

YAMAHA CORPORATION, the world's leading maker of musical instruments, suffered a 33.1 per cent fall in annual pre-tax profit to Y10.36bn ($74.4m) as the lingering effects of the yen's appreciation eroded export profits.

Domestically, the company also suffered from a slight fall in orders for its pianos, while the electronic musical instruments division reported a 10.4 per cent decline in sales.

Overall, sales rose 1.5 per cent to Y397.5bn in the year to March.

The company, which is continuing to diversify, performed better in non-musical products, with a 27.9 per cent increase in sales of electronic metals and equipment, and a 15 per cent rise in household products.

Profits in Japan for the current year are likely to be affected by a recently introduced 3 per cent consumption tax and the company estimates that sales will fall by about 0.6 per cent this year.

● Aiwa, the Japanese audio equipment maker, reported its first annual profit in four years after a significant increase in sales of personal stereos and videocassette recorders. Pre-tax profit was Y1.34bn on sales of Y86.4bn, a rise of 20.2 per cent, while the loss last year was Y1.75bn.

The company says that the return to profit is a result of increased overseas manufacturing and a renovation of its product design system.

Sales in the current year are expected to continue their rise.

Rent increases help Japanese property groups

By Robert Thomson

MITSUBISHI ESTATE and Mitsui Real Estate Development, two Japanese property companies, each lifted pre-tax profit 19 per cent in the year to March following rent increases, the opening of new buildings, and an increase in sales of houses and condominiums.

The Mitsubishi group member, which has a particularly strong portfolio of buildings in the Tokyo business district, reported profits of Y76.28bn ($547.7m) on a 16 per cent increase in sales to Y274.41bn, and is expecting a 6 per cent rise this year.

The company has been renovating existing buildings in the business district, enabling it to increase rents, and work is to begin later this year in the port city of Yokohama.

At Mitsui Real Estate, a member of the Mitsui industrial group, revenues from building rentals rose 25 per cent. Annual pre-tax profit was Y45.61bn on sales of Y469.92bn.

The company, which has valuable holdings around Tokyo Bay, expects that the condominium business, lucrative of late, will slow this year, while leasing returns are expected to increase by about 26 per cent. Pre-tax profit is predicted to rise by 12 per cent.

Higher world prices boost Tongaat-Hulett

By Jim Jones in Johannesburg

TONGAAT-HULETT, the Anglo American group's Natal-based sugar, aluminium and building products subsidiary, lifted sales in all divisions in the year to March, taking turnover to R3.16bn (US$1.17bn) from R2.62bn and pre-tax profit to R258m from R190m.

Sugar sales benefited from higher world prices as did the aluminium processing operation.

Demand for building supplies was firmer, though analysts warn it could deteriorate this year as recently imposed austerity measures bite. The company did not comment on prospects for the present year.

Net earnings rose to 214 cents a share from 162 cents. The dividend is 71 cents against 54 cents.

● C.G. Smith, the holding company for the Barlow Rand group's sugar, food, packaging and textiles interests, lifted its sales by a quarter in the six months to March 31 and expects growth to be satisfactory in the second half of the year.

Turnover was R6.01bn against R4.78bn and pre-tax profit rose to R512m from R494m.

Interim net earnings increased to 389 cents a share from 286 cents. The dividend has been lifted to 102 cents from 81.5 cents.

● Pretoria Portland Cement (PPC), a Barlow Rand company which is the largest of South Africa's three cement manufacturers, lifted cement sales by 7.5 per cent in the six months to March, but lime sales were fractionally higher and turnover was R313m against R261m. Pre-tax profit increased to R81.4m from R69.2m.

Mr John Hall, the chairman, expects growth will slow in the second half though he believes the year's earnings will be 20 per cent higher than last year's. Rising interest rates are affecting home-building though industrial and office construction is maintaining its earlier momentum.

Net earnings were 101.7 cents a share against 79.6 cents and the interim dividend has been raised to 36 cents from 25 cents.

Shiseido moves its beauticians

By Our Financial Staff

SHISEIDO, Japan's biggest cosmetics producer, exceeded its forecasts for the four months to March, a period during which it not only changed its year-end but transferred a large proportion of its workforce to sales subsidiaries.

Parent pre-tax profits reached Y6.89bn ($49.5m) against a projected Y6bn, on sales of Y104.8bn. From net earnings per share of Y13.32 it is paying a dividend of Y3.70.

It incurred extraordinary write-offs of Y2.80bn on products supplied to the sales offshoots, to which it shifted some 10,000 beauticians out of a total staff of less than 14,000.

Alps Electric slides 29%

By Our Financial Staff

ALPS ELECTRIC, a leading Japanese maker of electronic parts, suffered a 29.1 per cent slide in pre-tax profits to Y7.29bn ($52.3m) in its March year and warns that price competition in domestic and other Asian markets will hamper its growth in 1989-90.

Sales were up barely 1 per cent to Y306.9bn and are forecast to reach Y317bn this year, when profits of Y10.20bn before tax are expected. However, net earnings are forecast to fall to Y4.70bn from the latest Y6.07bn, which itself was down from the previous Y6.42bn.

The dividend is being maintained at Y15 a share.

Dainippon Ink pulls in Y18.35bn

DAINIPPON INK and Chemicals, Japan's largest independent maker of printing ink, yesterday reported a 26.5 per cent increase in pre-tax profit to Y18.35bn ($131.8m) after strong sales writes Robert Thomson.

Sales rose from Y417.70bn to Y440.66bn, and are expected to reach Y480bn this year. The company, which has made several US purchases in the past three years, expects pre-tax profit to grow modestly to Y18.5bn.

Outlook still insecure for foreign brokers in Japan

Stefan Wagstyl on a recovery by security houses

Foreign securities companies in Japan collectively achieved a sharp recovery to pre-tax profits in the six months ended March 1989 after suffering losses in the previous year due to the impact of the 1987 crash.

But the turnround still leaves many groups struggling to establish a secure long-term profit base for their operations. Security company executives concede that the market will probably not support the current total of 45 foreign houses.

According to figures published in the Nikkei Keizai Shimbun, Japan's leading economic daily, 36 companies, which have been operating in Japan for more than 18 months, made a pre-tax profit of Y10.2bn, against a loss of Y15.2bn in the previous 12 months. However one US company, Salomon Brothers, contributed Y7.6bn, or three-quarters of the total.

At the after tax level, the foreign houses posted a Y2.3bn loss against Y19.7bn in losses in 1987-88.

Accountants who have worked on foreign securities companies' accounts said overseas houses benefited from very bouyant trading conditions with turnover on the Tokyo Stock Exchange reaching pre-crash levels.

Foreign companies have done particularly well out of a resurgence in overseas interest in the Tokyo stock market since the beginning of this year. They have also benfited from a bouyant warrant market.

But securities company executives acknowledged these conditions may not last. Accountants said that many houses were now much more careful about controlling costs than before the plunge in stock markets in 1987. While some continued to expand their businesses, they nevertheless tried to trim costs, for example, by reducing the number of high-cost expatriate staff.

Nevertheless, the accountants said the results should continue to improve since many companies were still at an early stage of building their businesses, when costs tend to be high in comparison with revenues. But they questioned whether the majority of houses would expand revenues enough to generate an adequate return on the investments made in Tokyo.

The figures presented to the finance ministry probably paint an exaggeratedly gloomy picture of foreign brokers' performance. The results are compiled with the tax authority in mind, so there is every incentive for those in the black to minimise their profits.

Even those making losses may have little incentive to try to understate them since losses can be carried forward for five years under Japanese tax law. At 52 per cent the Japanese rate of corporate tax is high by world standards so there is every reason to book profits elsewhere.

However, this tendency to understate profits for tax reasons is matched by a willingness by some companies to present a rosy picture of their performance in Tokyo. Partly they dislike being branded by finance ministry officials as tax avoiders, if not evaders and partly they feel a strong set of accounts will improve their image in the eyes of clients and potential recruits.

The table compiled by the Nikkei Keizai Shimbun highlights some stark differences in performance. US houses dominate the list in size of revenue, which is a fair proxy for overall size. However, big revenues do not always mean big profits.

After Salomon Brothers and Goldman Sachs, both large multi-divisional operations, the third largest profits were made by Baring Securities, a subsidiary of the British merchant bank. Baring made its money by concentrating on its strength in broking equities and warrants.

The biggest losses among the top 20 companies were suffered by Shearson Lehman. Among British-owned companies the largest profits were earned by Barings followed by S.G. Warburg. The biggest losses were suffered by the subsidiaries of County Natwest, the securities arm of National Westminister Bank, and BZW, an affiliate of Barclays Bank. However, both cut losses sharply compared with same period last year.

FOREIGN SECURITIES COMPANIES IN JAPAN
Half-year to March 1989 (March 1988), Ybn

	Revenue*		Commission		Pre-tax profit	
Salomon Bros	22.4	(16.4)	8.2	(5.1)	7.6	(5.8)
Morgan Stanley	13.2	(7.9)	11.6	(7.8)	0.83	(0.22)
Goldman Sachs	9.6	(5.4)	9.1	(5.2)	1.82	(0.23)
Merrill Lynch	7.7	(5.4)	8.1	(5.4)	0.14	(−0.68)
First Boston	6.9	(2.9)	5.8	(2.8)	1.03	(−0.56)
Baring Securities	5.0	(2.1)	4.8	(2.1)	1.2	(−0.92)
Jardine Fleming	4.7	(4.0)	4.3	(3.6)	0.2	(0.27)
Shearson Lehman	3.4	(2.2)	2.3	(1.4)	−1.05	(−0.64)
S.G. Warburg	3.4	(0.8)	3.4	(2.6)	0.69	(−1.4)
Citicorp Vickers	3.1	(2.5)	2.1	(2.4)	−0.01	(−1.49)
Prudential Bache	3.0	(2.4)	2.9	(2.4)	−0.03	(−0.09)
Smith Barney	2.7	(1.6)	1.7	(1.2)	−0.22	(−0.16)
Kleinwort Benson	2.5	(2.4)	2.4	(1.7)	0.25	(0.29)
County NatWest	2.3	(0.8)	1.6	(0.8)	−0.55	(−1.1)
Swiss Bank Corp	2.3	(2.1)	1.8	(2.0)	0.04	(0.01)
James Capel	2.2	(1.0)	2.0	(1.0)	−0.07	(−0.57)
W.I. Carr	2.0	(0.6)	1.9	(0.5)	0.15	(−0.42)
BZW	1.8	(0.7)	1.4	(0.5)	−0.77	(−1.3)
Schroder	1.9	(1.0)	1.3	(0.8)	0.16	(−0.06)
Kidder Peabody	1.6	(1.0)	1.5	(0.8)	−0.30	(−0.47)

* Including commission

Source: Nihon Keizai Shimbun

Japanese consider investment trust curbs

By Stefan Wagstyl in Tokyo

PLANS FOR curbs on Japanese securities companies interfering in the business of their investment trust subsidiaries are under consideration.

The Japanese Investment Trust Association said yesterday it would create rules to ensure that investment trusts were independent of their parent securities companies.

The proposed rules would curb the exchange of staff between the parent group and the investment trust subsidiary and stamp out "undesirable" trading.

Japanese securities companies are often accused of encouraging their investment trusts to turn their portfolios over frequently and sometimes of transferring loss-making securities holdings to the investment trusts.

Foreign fund managers in Tokyo say Japanese investment trust managers have greatly underperformed the the Tokyo stock market in the 1980s.

The big four Japanese stockbrokers – Nomura, Daiwa, Nikko and Yamaichi – control 75 per cent of the investment trust market which amounts to Y51,000bn.

Only 14 Japanese securities companies have licnences to operate investment trusts. Foreign fund management groups are lobbying the Ministry of Finance for permission to join them.

● The 10 Japanese securities houses which rank immediately behind the country's Big Four have all increased their dividends after profits growth in the six months to March.

Skopbank to issue free shares

By Olli Virtanen in Helsinki

SKOPBANK, THE Finnish savings bank group, plans to launch a series of shares available for foreign investors.

The bank's board of management yesterday decided to ask for authorisation to increase the share capital by a maximum FM120m ($27.8m) from the current FM1,380m through an issue consisting of a maximum 12m free shares.

Skopbank launched its first public share issue last September and became listed on the Helsinki Stock Exchange in November.

Finnish savings banks currently control 89 per cent of the votes in Skopbank.

● Amer, the consumer products group, plans a Euro-equity issue involving 750,000 free A shares to be priced on or before May 30.

The issue will increase Amer's capital by 4 per cent and the number of free A shares by 23 per cent.

Baltica buys Copenhagen stockbroker

By Hilary Barnes in Copenhagen

BALTICA BANK, the investment banking arm of the Baltica insurance and financial services group, has bought Aage Philip, a Copenhagen stockbroker with a staff of 26.

Baltica Bank plans to merge it with its own broking company, Baltica Boers, making it one of the largest Copenhagen broking companies with a total payroll of 61.

"This is a significant step in our strategy for expansion," said Mr Peter Beje, of Baltica Bank. He indicated that the group's next step could be establishment abroad.

He linked the latest purchase with that by the Baltica group of a 10 per cent stake in Hambros Bank over the past few months, which has opened up new areas for co-operation between the Danish group and Hambros.

Futures chiefs back dual trade

EXECUTIVES of the four largest US futures exchanges have urged Congress not to impose a ban on dual trading in futures pits, Reuter reports.

They defended their markets against charges of widespread trading abuses before the Senate Agriculture Committee.

The executives included Mr Leo Melamed, chairman of the Chicago Mercantile Exchange's executive committee, Mr Karsten Mahlmann, chairman of the Chicago Board of Trade, Mr Z. Lou Guttman, chairman of the New York Mercantile Exchange, and Mr Robert Fink, first vice chairman of the Commodity Exchange (Comex).

Federal agents are investigating the exchanges.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on May 18

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9⅜ 95	600	99½	100⅛	0	+1⅛	9.41
Austria 9⅝ 93	140	†100¼	100¾	0	+1	9.45
B.F.C.E. 7 92	150	93½	94	0	+0⅞	9.58
B.F.C.E. 9¼ 95	150	98½	99	−0⅛	+1½	9.49
Brit. Tel. Fin. 9⅝ 98	250	98¾	99⅜	0	+1⅜	9.52
Campbell Soup 9⅛ 93	100	*†97¼	97¾	0	+0⅞	9.81
Canada 9 96	1000	100	100⅜	0	+1⅝	8.96
Canadian Pac 10⅜ 93	100	—	—	—	—	—
C.C.C.E 9¼ 95	300	99	99⅜	0	+1½	9.44
C.N.C.A 9⅞ 93	150	99⅜	99½	−0⅛	+0⅞	6.53
Credit National 8¼ 93	200	95⅜	96¼	0	+1	9.55
Credit National 7⅜ 92	100	94½	95	0	+0⅞	9.50
Credit National 9½ 92	160	100½	101	0	+0⅞	9.21
Dai-Ichi Kan 9⅝ 92	150	99½	100⅛	−0⅛	+0⅞	9.68
Denmark 7⅛ 92	500	93⅝	94⅛	0	+0⅞	9.71
E.E.C. 7 91	100	94⅛	95	0	+0⅞	9.38
E.E.C. 7¼ 93	250	93	93⅜	0	+0⅞	9.47
E.E.C. 10 93	140	†101¾	102¼	−0⅛	+1⅛	9.34
E.I.B. 7⅝ 93	100	93¼	93½	−0⅛	+1	9.49
E.I.B. 9⅝ 97	150	99¾	100¼	0	+1½	9.36
Eurofima 10⅛ 93	100	*†102⅜	102⅞	0	+1⅝	9.26
Elec.De France 9 98	200	97⅛	97⅝	0	+1⅞	9.44
Elec. De France 9½ 99	200	99¾	100¼	0	0	9.52
Finland 7⅞ 97	200	91¼	91⅝	0	+1⅛	9.49
Fin.Exp.Cd. 8½ 92	200	97¼	97¾	+0⅛	+1⅛	9.53
Fin. Exp. Cd. 9⅜ 95	200	†99	99½	0	+1⅝	9.51
Ford Motor Credit 8 91	250	†96¼	97¼	0	+0½	9.83
Ford Mtr. Credit 10 92	200	*†100	100⅝	0	−0⅛	9.92
Gen.Elec.Cap. Corp. 9 93	500	†97⅛	98⅛	0	+1	9.54
Gen.Elec.Cap.Crp.10 1/2 97	300	†101⅛	102⅛	0	+0⅞	9.31
Gen.Mtrs.Corp. 9⅞ 92	200	98⅛	98⅝	−0⅛	+1	9.72
IBM Credit Corp. 8⅞ 91	250	98⅝	99	−0⅛	+0⅛	9.48
IBM Credit Corp. 9½ 92	250	100⅛	100⅝	+0⅛	+1	9.31
IBM Credit Corp. 10 92	200	101½	102⅛	−0⅛	−0⅛	9.30
Italy 9½ 95	1000	99¾	100¼	0	+1½	9.48
Italy 9⅝ 99	1000	†100¼	100¾	0	+2⅛	9.53
Japan Dev. Bank 10 96	200	102⅝	103	−2½	−1½	9.47
L.T.C.B.of Japan 9¼ 92	200	98¾	99¼	−0⅛	+1⅛	9.56
Metropolis Tokyo 9½ 93	200	100⅜	100⅞	+0⅛	+1⅛	9.26
Nippon Tel.&Tel. 9⅜ 98	250	99¼	99¾	0	+2	9.44
Norway 8¼ 93	500	97⅝	98⅛	0	+1⅛	9.42
Portugal 8¼ 91	300	†96⅞	97⅜	0	+0⅛	10.08
Prudential Crp. 8⅞ 94	125	98⅛	99	−0⅛	+1⅛	9.08
State Bk S Aust 9¼ 93	100	†98¾	99¼	0	+1⅛	9.55
Sumitomo Bank 9⅝ 92	150	†99½	100	−0⅛	+0⅞	9.68
Sweden 7 91	250	94½	95⅛	−0⅛	+0⅞	9.52
Sweden 8⅞ 96	200	96⅝	97⅛	0	+1⅛	9.38
Sweden 8½ 92	200	†97	97½	0	+1⅛	9.49
Toyota 9½ 91	200	99¼	99⅞	0	+0⅞	9.62
Victorian Rep 11⅜ 92	150	†104⅛	104⅝	0	+1	9.74
World Bank 7 92	300	†94¼	94⅞	0	+0⅞	9.37
World Bank 9 97	300	97½	97⅞	0	+1⅛	9.39
World Bank 9 93	300	99	99⅜	−0⅛	+1⅛	9.25
World Bank 9⅝ 98	300	98⅞	99⅜	+0⅛	+1⅛	9.42
World Bank 9⅝ 99	500	101⅛	101½	0	+2⅛	9.41

Average price change... On day 0 on week +1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	94⅝	95⅛	−0¼	+0¼	7.10
Austria 6⅜ 99	750	96⅞	96⅛	−0⅛	−0⅛	7.29
Bank of Tokyo 5⅜ 93	100	94½	95	−0⅛	−2⅛	7.38
Commerzbank o/s. 5⅜ 93	300	94¼	94¾	−0⅛	−1⅛	7.13
Credit Foncier 6⅞ 99	500	96⅛	96⅝	−0⅛	−0⅛	8.34
Degussa Int. 6⅛ 97	200	93⅛	93⅞	−1	−1½	7.20
E.I.B 5½ 98	150	87⅞	88⅜	−0⅛	−1⅛	7.34
E.I.B. 6¼ 99	600	92¾	93⅛	−0⅛	−0⅝	7.25
E.I.B. 6⅛ 96	300	93⅞	94⅝	0	−0⅝	7.18
E.I.B. 6½ 99	300	94½	95¼	−0⅛	−0⅛	7.24
E.I.B. 6⅞ 95	300	98¼	99	−0¼	−0⅞	7.13
Euro.Coal& Steel 5⅞ 97	175	91⅝	92⅛	−0⅛	−0¼	7.25
Eurofima 6¼ 96	100	93¾	94½	−0⅛	−0⅞	7.34
Elec De France 5⅜ 97	300	90⅛	91	−1⅛	−2⅝	7.32
Forsmark Krtg. 5⅛ 93	200	92⅝	93⅛	0	−0⅛	7.30
Hydro-Quebec 6¼ 99	300	96	96⅛	−0⅛	−0⅞	7.31
Japan Dev. Bk. 5⅜ 95	300	92⅛	93⅜	−0⅛	−0⅛	6.90
Japan Finance 5⅜ 97	100	91⅞	92⅛	−0⅛	−0⅛	7.12
Ireland 6½ 97	300	94⅛	95⅛	0	−0⅞	7.35
Malaysia 6⅛ 94	150	95⅝	96⅜	0	−1⅞	7.20
Nat. West BK. PLC 6 98	300	†91½	92	−0⅛	−0⅞	7.29
N.H.L. Finance 6⅞ 95	200	†93¾	93⅞	0	−2	7.54
Nippon Telg.&Tel. 6 95	400	94⅞	95⅜	−0¼	−0⅝	6.41
Oesters. Kontbk. 5 93	300	94⅝	95⅛	+0⅛	+0⅛	6.63
Portugal 5¼ 92	150	97⅛	97⅞	0	−0⅛	6.63
Portugal 6⅝ 95	150	98½	99¼	−0⅛	+0⅛	6.85
Privatbanken 5⅛ 93	150	93¼	93⅞	−0⅛	0	7.27
Royal Insurance 5½ 92	300	96	96½	0	−0⅛	6.97
Soc Cent Nucleair 7⅛ 95	150	99⅞	100⅝	−0⅛	−0⅛	7.19
Turkey 6½ 95	500	93⅛	93⅞	−1½	−2⅛	7.90
Union Bk.Finland 5½ 94	200	93½	94	−0⅛	−0⅛	7.11
Westlb. Finance 5 93	200	†92⅞	93¼	−0⅛	−0⅛	7.17
World BK. 6⅞ 97	600	94¼	94¾	−0⅛	−0⅛	7.58

Average price change... On day −0⅛ on week −0⅞

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†91	91½	−0⅛	−1½	6.56
Asfinag 5 03	100	†87½	88	+1⅛	+1⅛	6.33
B.F.C.E. 4½ 98	200	†87½	88	−1⅛	−2	6.30
B.M.W.Fin.Neth. 5 13	150	†86⅛	87	+0⅛	+0⅛	6.05
Britannia B/S. 4⅛ 94	100	†88½	90	−0⅛	−2⅞	6.83
CIR. Int. W/W 3 93	125	†91	91⅛	+2	+1	5.43
Credit Lyonnais 4⅞ 00	100	†84½	85	+0⅛	−0⅞	6.75
E.I.B 4⅝ 98	150	†87½	88⅛	−1⅞	−0⅝	6.42
Fletcher Chall. 4⅞ 98	150	†88⅛	88½	−0⅝	−0⅞	6.65
Kobe City 4⅛ 98	150	†88½	89	−1⅛	−0⅞	6.28
Leeds Perm. B/S. 4⅞ 93	200	†91	91⅞	−0⅛	−0⅞	6.70
Malaysia 5¼ 98	100	†83	83¼	−0⅛	+3⅛	7.91
Maxwell Comm.Crp. 5 95	150	†83¼	84	+0⅛	−3⅞	8.56
Nat. Bk. Hungary 5½ 94	75	†95⅛	95⅛	0	−1	6.50
Nationwide Ang.B/S. 4 93	200	†90	91	0	−1⅛	6.73
Nippon Telg.&Tel.4⅛ 95	200	*†92⅛	92½	0	0	5.70
Oesters. Ktbk. 5 03	75	†90½	91	−0⅛	+0⅞	5.98
Prov. Newfoundland 5 03	150	†89⅛	90	0	+1⅛	6.07
Thailand 4⅝ 95	200	†91	92	0	0	6.33
World Bank 5 03	150	†87	87¼	+1½	+2⅛	6.40

Average price change... On day −0⅛ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	101½	101¾	0	−0⅛	5.12
Canada 5⅝ 93	80	101⅞	102⅛	0	−0⅛	5.08
Eurofima 5 1995	20	99	99½	−0⅛	−0⅛	5.15
E.I.B. 4⅞ 93	30	98¾	99	−0⅛	−0⅛	5.20
Ireland 5⅛ 93	30	99¾	100¼	0	−0⅛	5.12
Norway 5⅛ 95	50	100	100¼	−0⅛	−0⅛	5.10
Sweden 4⅝ 93	50	97⅞	98⅛	0	−0⅛	5.19
World Bank 5⅛ 98	10	98¾	99⅜	−0⅛	−0⅛	5.27
World Bank 7 94	20	107¾	108¼	−0⅛	−0⅛	5.13

Average price change... On day 0 on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS 10¼ 93 £	50	94¾	95⅜	0	+0⅛	11.95
Abbey Nat. 11⅝ 95 £	100	98⅝	99⅛	−0⅛	+0⅛	11.87
Alg. Bk. Ned. 5½ 92 FL	150	94¾	95⅜	0	−0⅛	7.57
Alg. Bk. Ned. 5⅞ 93 FL	200	†95¼	95⅝	0	−0½	7.17
Austria 7½ 94 ECU	100	†95¼	95⅝	0	0	8.70
Bk. Nova Scot. 14⅞ 90 A$	75	96⅛	97⅛	0	+0⅛	16.86
Barclays Aus. 13½ 91 A$	100	96⅝	97⅛	−0⅛	−0½	15.02
Belgium 8⅛ 94 Ecu	150	97⅜	97⅞	+0⅛	+0⅛	8.74
BP Capital 9¼ 93 £	100	94	94½	0	+0⅛	11.65
British Airways 10 98 £	100	91¾	92¼	−0⅛	+0⅛	11.48
Buhrmann-Tet. 6⅞ 93 FL	100	96⅛	96⅞	0	−0⅛	7.33
Comm. Bk. Aust. 12⅝ 93 A$	100	†92	92½	−0⅛	−0⅝	15.34
Coop. Ctr. Rabo. 6⅛ 93 FL	100	†98⅞	98⅞	0	−0⅛	6.67
Cr. Local France 9¼ 92 Ecu	100	100¾	101⅛	−0⅝	−0½	8.85
Dent. Bk. Aus. 13⅞ 93 A$	125	96⅛	96⅞	−1¼	−1⅞	14.41
Deutsche Bk. Fin. 15 94 A$	100	101¼	101½	−0⅛	−0⅞	14.57
Eastman Kodak 13 90 A$	100	95⅞	95⅞	−0⅛	−0⅛	16.92
E.I.B. 7 96 LFr	100	†96⅛	97⅛	−0⅛	−0⅛	7.55
E.I.B. 9 99 Ecu	150	100	100½	+0⅛	+0⅛	8.96
Elec. France 10¼ 95 C$	125	†98⅝	99⅛	0	+0⅛	10.50
Eurofima 7⅞ 94 Ecu	100	95⅞	96	−0⅛	−0½	8.78
Fed. Bus. Dv. Bk. 9¾ 92 C$	75	†96⅞	97⅛	0	+0⅛	10.90
Fed. Bus. Dv. Bk. 10½ 93 C$	50	98¾	99¼	0	+0⅞	10.79
Ferrv. Stato 7¾ 93 Ecu	100	95¾	96⅛	−0⅛	−0⅛	8.97
Ford Cr. Can. 10¼ 93 C$	100	†98⅝	99⅛	0	+0⅛	11.10
Ford Cred. Can. 10⅞ 96 C$	125	99⅝	100⅛	−0⅛	+0⅜	10.88
Ford Mtr. Cred. 7⅞ 93 Ecu	100	96⅛	96⅛	−0⅛	−0⅛	9.00
G.M.A.C. 9¾ 93 C$	150	†95½	96	0	+0⅛	11.13
Hydro-Quebec 11 99 C$	400	101⅞	101⅞	−0⅛	+0⅛	10.79
Lloyds Bank 10¼ 98 £	150	92¾	93¼	0	+0⅛	11.54
Lloyds Bank 11⅝ 98 £	100	96⅛	96⅝	0	+0⅛	12.00
Montreal Tst. 10¼ 93 C$	100	†97⅞	98⅜	0	+0⅛	11.32
Morgan Guar. Tst. 11 91 C$	150	99⅝	100	−0⅛	0	11.17
Nat. Aus. Bk. 14⅛ 94 A$	100	98⅛	98½	−0½	−0⅝	15.23
New Zealand 9½ 93 £	100	92⅞	93⅜	0	+0⅛	11.77
Philips Gleoll. 6 93 FL	300	†95⅜	95⅞	0	−0⅛	7.23
Privatbanken 7½ 94 LFr	500	†97½	98½	−0½	−0½	8.01
Royal Bk. Scot. 10⅝ 98 £	125	94⅝	95⅛	0	+0⅛	11.62
Saskatchewan 9⅞ 91 C$	150	†97⅜	97⅞	0	+0⅛	11.12
Saskatchewan 10¼ 93 C$	200	97⅞	98⅜	−0⅛	+0½	10.76
State Bk. NSW. 13⅞ 93 A$	100	†95⅝	96⅛	−0⅛	−0⅛	15.12
Sweden 15 94 A$	100	101⅞	102	−0⅛	−0½	14.47
Union Bk. Switz. 7½ 93	150	*†97	97½	0	+0⅛	8.23
World Bank 13⅛ 92 A$	100	100	100⅜	−0⅛	−0⅛	13.27
Zentrspk. 13¼ 93 A$	75	†97½	98	−0⅛	−0⅛	13.91

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.99	100.04	18/07	13.08
Bank of Greece 99 US	0¼	99.48	99.59	8/09	10.62
Belgium 91 US	0	100.19	100.29	19/08	9.38
Chelt. & Gloucester 94 £	.063	99.83	99.88	30/05	13.47
Credit Foncier 98 US	.063	100.13	100.23	20/10	10.16
Dresdner Finance 99 DM	.031	99.86	99.96	27/07	6.59
EEC 3 92 DM	0	100.64	100.74	20/08	5.63
Halifax BS 94 £	.1	100.00	100.05	6/08	12.97
Invt. in Industry 94 £	0¼	100.00	100.10	24/05	13¼
Leeds Perm. B/S. 94 £	0⅛	100.11	100.16	13/07	13.34
Midland Bank 01 £	.1	98.22	98.63	11/08	12.97
Milk Mkt. Brd. 5 93 £	0⅛	99.92	99.97	30/06	13.06
New Zealand 5 97 £	.07	100.07	100.17	22/05	13.06
State Bk. Nsw. 98 US	.188	100.41	100.51	11/08	9.87
Woolwich Eqnit. BS. 93 £	0⅛	100.12	100.17	13/07	13.37
Woolwich 5 95 £	0⅛	100.03	100.08	19/05	13.12

Average price change... On day +0.00 on week +0.03

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62	116⅛	117½	0	8.58
Amer. Brands 7¼ 02 US	9/87	56.7	123¾	124½	0	1.08
Ashikaga Bank 2¼ 02 US	4/87	967.	126⅝	127⅝	−2⅞	3.18
Asics 5 92 DM	12/83	472.7	256½	257⅞	0	1.34
CBS. Inc. 5 02 US	4/87	200.	100	100¾	+0¼	3.41
Primerica 5½ 02 US	4/87	66.75	66⅛	67¼	0	111.26
Eng. China Clay 6½ 03 £	9/88	4.8	107½	108⅛	+0⅛	3.47
Fujitsu 3 99 US	5/84	1106.	221⅛	222⅝	−3¼	−1.50
Land Secs. 6¼ 02 £	6/87	6.72	96⅛	97⅛	+0⅛	10.67
Minolta Camera 2¼ 94 DM	2/86	1004.	112⅞	114⅛	−1⅞	4.40
Mitsubishi Bk. 1¼ 02 US	9/87	3157.	117⅞	119⅛	−1½	7.86
Mitsubishi Bk. 3½ 04 US	5/89	3264.	96⅛	97⅛	−0⅛	4.01
Mitsui Trust 2⅝ 01 US	10/86	1903.	121⅛	122⅛	−0⅛	5.67
Next Plc 5½ 03 £	11/87	4.3	98⅛	99⅞	0	191.58
Nikki Nipp. Bt. 2⅞ 03 US	4/88	804.	117	118	0	4.97
Ooyama Yakeid 2⅞ 02 US	4/87	1310.	228	229	−4⅞	−1.84
Ranks Hovis 4⅛ 03 £	1/88	3.5	121	122⅛	13⅞	19.79
Redland 7¼ 02 £	1/87	5.4	111⅝	112⅝	+2⅛	1.65
Sketchl & Stahl 6⅛ 03 £	†10/89	4.41	91¾	92⅞	+0⅛	31.23
Sumitomo Bank 3½ 04 US	2/89	4296.	91⅛	92⅛	−0⅛	19.87
Texas Inst. 2⅞ 02 US	9/87	82.87	75⅛	75⅞	+0⅛	43.41
W.R. Grace 6¼ 02 US	9/87	42.12	95⅞	96⅛	+0⅞	17.08

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed recurrency of share at conversion rate fixed at issue. Prem = Percentage premium of the currenteffective price of acquiring shares via the bond over the most recent price of the shares.

AIBD changes management role

By Andrew Freeman in Vienna

THE ASSOCIATION of International Bond Dealers has appointed Dr Hans Peter Frick as secretary general and chief executive, following the announcement that Mr John Wolters, who held the position for 12 years, is to retire from the end of the year.

Dr Frick has been deputy secretary general since joining the AIBD two years ago.

His appointment comes at a time when the AIBD is embarked on big structural and organisational changes as it attempts to establish itself as the primary securities exchange serving the international bond market.

At this morning's session of the annual conference in Vienna, Mr Arthur Schmiegelow, outgoing AIBD chairman, will announce the results of a strategic review carried out over the last year.

He will tell delegates that Dr Frick has been appointed chief executive officer of the AIBD, thereby removing all executive functions from the board which will now play a primarily advisory role.

The day to day management of the association will be the responsibility of the secretariat. Mr Wolters, secretary general since 1977, is understood to have been unwilling to take on the managerial responsibilities which will be conferred on the secretary general following the AIBD's reorganisation.

As a result of the imminent changes, he brought forward his decision to take early retirement and said yesterday that he was looking forward to running his cattle farm in Australia. He will, however, act as consultant to the AIBD until the end of this year.

Mr Wolters played a leading role in the AIBD development, advocating that it should become a designated investment exchange under the UK Financial Services Act, introducing the Trax trade matching system and leading moves towards the professionalisation of the secretariat.

Ahead of today's key vote on a proposal to increase the AIBD membership fee to SwFr6,000, many delegates expressed their intention to repeat their militancy of last year, when a similiar proposal was decisively rejected.

However, AIBD board members were confident that their extensive efforts to explain the need for the increase to leading institutions would give them enough support.

Behind the scenes, AIBD board members held a significant business meeting with representatives of the clearing organisations, EuroClear and Cedel.

The meeting followed the completion of a joint feasibility study into the formal linking of Trax with the clearing system. The AIBD said the meeting was the first occasion at which the business details of any such arrangement had been formally discussed.

Two Ecu issues dominate primary trade

By Norma Cohen

THE PRIMARY Eurobond markets were dominated by the emergence of two new longer-dated Ecu issues, despite the unease in the currency stemming from the dollar's strength.

After speculation earlier in the week that West German interest rates would have to be raised to defend the currency, the Bundesbank Council announced after its meeting yesterday that rates would be left unchanged. The news helped stabilise D-Mark bonds in light trading, although they still closed with slight losses.

Ecu bonds, largely influenced by West German rates and currency movements, moved in tandem.

Still, dealers reported reasonably healthy receptions for yesterday's new Ecu Eurobonds. The larger of the two was a Ecu125m 10-year issue for Hydro-Quebec guaranteed by the Canadian province of Quebec. The bonds, lead managed by Merrill Lynch, carry a coupon of 9¼ per cent and were priced at 102. The bonds were seen quoted on brokers' screens at a discount equal to their 2 per cent fees.

While acknowledging that market conditions in the currency were difficult yesterday, Merrill said it believed its deal had been fairly priced for the name – a view echoed by other Ecu Eurobond market makers. A recent 10-year Ecu bond for French government guaranteed SNCF was yesterday trading at 9.02 per cent, just under Hydro Quebec's yield after fees are deducted.

Meanwhile, Merrill acknowledged that it is prepared to place a support bid on Eurobond brokers' screens, in sharp contrast with the approach taken Wednesday by Credit Suisse First Boston in the launching of its Ecu100m issue for Austria. Ecu market makers generally agree that such support bids are needed – even for well-priced deals – to instill confidence in new issues because of the largely retail clientele that buys them.

Co-leads on the Austria issue were yesterday irate over CSFB's refusal to support its issue at a discount equal to its full 1⅞ per cent fees either in the broker's market or when bonds were offered to it directly. A CSFB official had said the firm did so on Wednesday but only for a single co-manager and only for 500 bonds, although he had implied the firm would do so for other co-managers as well.

Dealers offering bonds to CSFB yesterday were offered prices well outside fees. Mr Ian Moulson, head of syndicate at CSFB, said the firm did not believe it is the lead manager's role to protect syndicate members against adverse market moves although it might buy some bonds at a loss under some circumstances.

Also in Ecu was a Ecu100m seven-year issue for Credit Local de France via Credit Commercial de France, bearing a coupon of 9 per cent and priced at 101⅝ per cent. It was seen trading inside its fees at less 1.85 per cent bid.

Coats Viyella Finance NV, an issuing vehicle for Coats Viyella Plc, made a Euro-offering via CSFB of £90m in redeemable preference shares with a flexible put option exercisable on three separate dates.

The coupon was fixed at 7¼ per cent and priced at par. The conversion premium is indicated at 16 to 20 per cent and the yield to put is indicated at 75 to 100 basis points over the 10 per cent gilt stock due 1994.

The shares, convertible into Coats Viyella common stock, were issued in connection with the company's acquisition of financier Mr Abraham Goldberg's 25 per cent stake in Tootal. Coats Viella now owns 29.9 per cent of Tootal and has announced a merger.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Nippondenso Co.♦	1bn	(4⅜)	100	1993	2¼/1½	Nomura Int.
ECUs						
Hydro-Quebec◆	125	9¼	102	1999	2/1⅜	Merrill Lynch
Credit Local de France(a)◆	100	9	101⅝	1995	1⅞/1¼	CCF
STERLING						
EIB(d)◆	50	10	98⅞	1997	1⅞/1¼	UBS Phillips and Drew
Coats Viyella Finance(e)§	90	7¼	100	2004	2½/1½	CSFB
SWISS FRANCS						
Sonton Food Industry(b)★★§	40	(½)	100	1994	n/a	Nomura Bank(Switzerland)
YEN						
Cr.Commercial de France◆	4bn	(c)	(c)	1993	n/a	Daiwa Europe

★★Private placement. ♦With equity warrants. §Convertible. ◆Final terms. a) Non-callable. b) Indicated put option 31/3/92 at 105¼ to yield 2.328% c) Initial tranche Y4bn, may be increased to Y8bn. Coupon and issue price not disclosed. Redemption linked to Nikkei stock index. Put and call June 1992. d) Fungible from July with previous issues - total becomes £300m. Original £100m bond launched October 1988. e) Convertible preference shares. Put option June 1994 to yield 75bp-100bp over gilt 10% 1994.

Hongkong Land in 16.8m share buy-back

By John Elliott in Hong Kong

HONGKONG Land, one of Hong Kong's biggest landlords and part of the Jardine Matheson group, yesterday used its new status as a Bermuda-domiciled company to buy 16.82m of its shares in a deal that could trigger a controversy with the Hong Kong Stock Exchange.

The company's move to Bermuda was announced in March and the new company, Hongkong Land Holdings, started trading on the Hong Kong stock exchange on Tuesday.

Yesterday, Hongkong Land Company, now the Hong Kong subsidiary of the Bermuda company, announced that it had acquired a total of 16.82m shares in Hongkong Land Holdings for the equivalent of HK$10.15 a share. The price on the Hong Kong stock exchange last night was HK$10.50.

The shares were bought through a broker and are believed to have included American depository receipts which were on offer in the US earlier this week.

Hongkong Land was the last major Jardine company to move to Bermuda, which has attracted a large number of other Hong Kong companies. The incentive to move the domicile is partly to escape possible legislative measures after Hong Kong reverts to Chinese sovereignty in 1997.

The freedom for a company to buy back its own shares is an added inducement. This is banned in Hong Kong although a government company law reform committee is considering recommending the ban's removal in order to cancel one attraction of havens like Bermuda.

The Hong Kong stock exchange published guidelines on Wednesday indicating that it might try to block re-purchase plans by companies whose primary listing and main trading are in Hong Kong. It was not clear last night whether Hongkong Land, which has few assets outside Hong Kong, had escaped this guideline by using its subsidiary to buy the shares.

Inflation data has little impact on US Treasuries

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds traded mixed at midsession yesterday with weakness in short-dated maturities and small gains in long-dated issues further steepening the inversion of the yield curve this week.

At midsession, the 9.25 per cent 1991 issue was quoted 1/8 point lower for a yield of 8.96 per cent while the Treasury's benchmark long bond was quoted 1/8 point higher for a yield of 8.79 per cent.

The market did not react in any clear sense to yesterday's release of consumer prices data for April.

While the overall increase in the CPI of 0.7 per cent was above the consensus forecast for a rise of 0.6 per cent, excluding food and energy the gain was only 0.2 per cent, more moderate than anticipated.

The interpretation of the prices figures was that inflation is not accelerating but remains too high to allow the US Federal Reserve to ease policy.

The 0.7 per cent rise gave a compounded annual rate of 8.1 per cent.

The short end of the bond market in particular had rallied in anticipation of lower interest rates and as way out of line with other short-term money market interest rates, notably the Fed funds rate. This week has seen a gradual correction in short rates as hopes of easier monetary policy has receded.

Nevertheless, with Fed funds still apparently targetted between 9¾ per cent and 9⅞ per cent, these is plenty of scope for short bonds to fall further to bring yields more into line with money market interest rates.

Volatility in the dollar appeared to have little impact on the bond market. The US currency had initially been very strong as the West German Bundesbank refrained from raising its Lombard rate but then fell back sharply as central banks came in to sell the US currency.

At midsession, the dollar was quoted at Y138.90 compared with an earlier high of Y139.60 and at DM1.9695 from DM1.9860 earlier.

THE BUNDESBANK stood firm yesterday, deciding to hold out without raising domestic interest rates, and standing aloof from the concerted round of central bank foreign exchange intervention to stem the dollar surge their inaction had occasioned.

Dealers reported significant buying interest among higher yielding shorter-dated securities during the morning in anticipation of no move in Frankfurt.

Opportunities to switch from Bundeskassen into Bundesobligationen also emerged, taking advantage of the narrower premium on the latter securities.

These normally trade at a premium of between 10 and 15 basis points, on account of their greater liquidity.

But the switch was attractive yesterday because the spread had narrowed to around 6 basis points, as the obligationen had cheapened more quickly in active selling in the past couple of days.

After the announcement of an unexpectedly strong US consumer price index the German market followed the dollar – in mirror image – slavishly, weakening as the US currency touched as high as DM1.8975, and firming after central bank intervention brought it off the day's highs.

On Liffe, the June futures contract ended at 92.75, after 92.54 On Wednesday.

THE SPREAD between comparable German and Dutch bonds has been widening of late, as the latter market has underperformed. The yields on the latest state loan are around the 7.41 per cent mark, compared with 7.02 per cent on the federal German bond of 1999 fixed yesterday unchanged at 99.85.

Technical factors, including short covering, pushed the market upwards, and prices appeared largely to ignore the levitous dollar.

In the grey market the new state loan was trading around 100.20, and dealers were expecting between Fl 5 to Fl 6bn at next Teusday's tender.

AFTER ALL the excitement of waiting most of the week for the employment statistics, UK gilt-edged securities in the end reacted hardly at all to the data, as attention was diverted by the possible turn of events in Germany.

Average earnings in the year to March showing a 9.25 per cent increase were in line with expectations, and the sharp drop in the April unemployment numbers, pointing to just the tight labour market that has been concerning many, including the Bank of England, drew surprisingly little response.

Instead, prices firmed during the afternoon, as the lack action from the Bundesbank proved mildly cheering.

The benchmark 11¾ per cent Treasury due 2003-2007 closed 1/8 of a point firmer, at 114 11/32.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	106-21	-7/32	11.05	11.05	11.02
		9.750	1/98	96-26	-6/32	10.31	10.30	10.25
		9.000	10/08	97-08	-2/32	9.31	9.32	9.29
US TREASURY *		8.875	2/99	100-04	-3/32	8.85	9.20	9.20
		8.875	2/19	100-17	-	8.82	9.11	9.05
JAPAN	No 111	4.600	6/98	95.1782	-0.115	5.39	5.35	5.21
	No 2	5.700	3/07	105.6062	-0.297	5.10	5.06	5.01
GERMANY		6.375	11/98	94.9500	-0.250	7.11	7.00	6.91
FRANCE	BTAN	8.000	1/94	96.3008	-0.071	8.98	8.95	8.93
	OAT	8.125	5/99	95.0250	-0.275	8.89	8.87	8.83
CANADA *		10.250	12/98	102.2500	-0.250	9.88	10.19	10.37
NETHERLANDS		6.7500	10/98	95.0500	-0.525	7.49	7.29	7.06
AUSTRALIA		12.000	7/99	91.0632	-0.712	13.63	13.45	13.65

London closing. *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday May 18 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed May 17 Index No.	Tue May 16 Index No.	Mon May 15 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (206)	986.57	+1.0	10.31	3.92	11.93	11.91	976.59	969.20	972.87	743.84
2	Building Materials (29)	1252.79	+0.6	11.45	4.08	10.70	17.57	1244.90	1232.59	1226.69	966.87
3	Contracting, Construction (38)	1713.70	+0.6	13.12	4.10	9.97	28.37	1703.52	1689.20	1690.85	1536.65
4	Electricals (9)	2889.92	+1.5	8.56	4.05	14.12	25.01	2846.13	2825.26	2845.10	2026.96
5	Electronics (30)	2277.23	+2.0	8.36	2.95	15.50	13.93	2233.41	2220.49	2241.78	1581.47
6	Mechanical Engineering (54)	525.15	+0.6	9.83	3.91	12.51	7.37	521.79	519.70	522.72	381.87
8	Metals and Metal Forming (7)	555.95	+0.6	14.02	5.38	8.08	9.43	552.69	546.62	550.41	445.02
9	Motors (17)	324.59	+1.6	11.33	4.68	10.31	6.44	319.51	317.23	320.20	262.95
10	Other Industrial Materials (22)	1654.88	+0.6	9.09	4.10	13.14	24.98	1644.44	1628.54	1630.06	1214.30
21	CONSUMER GROUP (186)	1233.48	+1.3	8.89	3.59	14.10	9.41	1218.19	1207.88	1214.53	1044.50
22	Brewers and Distillers (22)	1329.82	+0.2	10.23	3.58	12.29	9.92	1326.82	1322.21	1333.06	1090.44
25	Food Manufacturing (20)	1078.01	+3.0	9.37	3.84	13.42	11.32	1047.05	1038.26	1043.44	886.22
26	Food Retailing (15)	2232.25	+1.0	8.76	3.32	15.02	16.14	2210.35	2183.95	2192.08	1978.13
27	Health and Household (14)	2285.71	+0.7	6.29	2.55	18.13	14.41	2268.86	2246.64	2256.74	1756.32
29	Leisure (33)	1681.32	+1.7	7.37	3.24	17.04	15.53	1652.58	1641.20	1647.13	1270.34
31	Packaging & Paper (15)	577.18	-0.3	10.07	4.21	12.50	6.99	579.04	576.18	577.92	480.74
32	Publishing & Printing (18)	3602.28	+0.6	9.11	4.48	13.77	43.67	3581.85	3563.83	3583.00	3269.07
34	Stores (34)	831.53	+1.7	10.72	4.29	12.22	1.98	817.75	807.65	814.36	806.20
35	Textiles (15)	542.43	+1.8	11.38	5.19	10.69	6.31	532.84	527.19	527.74	580.22
40	OTHER GROUPS (95)	1122.66	+1.0	9.82	4.08	12.38	9.05	1111.17	1099.18	1103.25	848.94
41	Agencies (18)	1411.73	+0.3	6.66	2.33	18.72	14.30	1407.95	1374.01	1363.61	1088.99
42	Chemicals (22)	1268.55	+1.1	11.17	4.65	10.57	22.54	1255.21	1240.54	1242.77	978.694
43	Conglomerates (12)	1604.01	+0.3	10.40	4.97	11.31	5.37	1598.70	1593.28	1611.43	1133.91
45	Transport (13)	2462.95	+0.5	8.04	3.50	16.15	20.16	2450.89	2434.65	2446.18	1894.23
47	Telephone Networks (2)	1179.42	+1.6	9.95	3.98	13.06	0.00	1161.20	1140.72	1147.07	931.40
48	Miscellaneous (28)	1515.72	+1.7	10.34	3.90	10.98	21.65	1490.82	1484.71	1483.07	1096.28
49	INDUSTRIAL GROUP (487)	1160.73	+1.1	9.56	3.82	12.99	10.45	1147.80	1137.62	1142.74	922.89
51	Oil & Gas (13)	2039.04	+0.8	10.23	5.46	12.99	41.99	2022.52	2005.68	2015.99	1776.50
59	500 SHARE INDEX (500)	1235.66	+1.1	9.64	4.03	12.93	13.02	1222.37	1211.61	1217.17	995.03
61	FINANCIAL GROUP (123)	756.11	-0.2	–	5.10	–	14.74	757.35	754.40	759.54	675.57
62	Banks (8)	754.01	-0.6	23.68	6.34	5.55	21.71	758.47	753.43	762.41	640.94
65	Insurance (Life) (8)	1079.12	+0.1	–	5.59	–	29.06	1077.77	1073.87	1077.08	957.85
66	Insurance (Composite) (7)	599.67	-0.2	–	5.72	–	13.65	600.72	600.01	601.09	528.11
67	Insurance (Brokers) (7)	1006.43	+0.7	7.87	6.26	17.01	27.06	999.51	992.08	992.36	927.88
68	Merchant Banks (11)	330.15	-0.1	–	4.57	–	3.70	330.57	331.31	332.67	342.62
69	Property (52)	1335.81	....	5.94	2.71	21.37	6.77	1335.14	1331.93	1343.69	1204.79
70	Other Financial (30)	378.31	+0.2	9.85	5.56	12.82	4.03	377.59	375.78	375.24	373.66
71	Investment Trusts (72)	1177.69	+0.6	–	2.72	–	8.37	1170.38	1164.42	1167.97	846.21
81	Mining Finance (2)	636.72	+0.1	9.74	4.00	11.43	10.45	636.20	643.72	653.47	471.93
91	Overseas Traders (8)	1396.84	+0.5	10.00	5.04	11.55	30.41	1390.40	1375.12	1383.25	1037.92
99	ALL-SHARE INDEX (705)	1118.29	+0.9	–	4.15	–	13.35	1108.69	1100.20	1105.75	909.69

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 17	May 16	May 15	May 12	May 11	Year ago
FT-SE 100 SHARE INDEX♦	2177.3	+21.5	2179.5	2158.6	2155.8	2136.7	2149.9	2135.7	2110.6	1760.6

FIXED INTEREST

	PRICE INDICES	Thu May 18	Day's change %	Wed May 17	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	118.24	+0.10	118.11	–	4.41
2	5-15 years	133.75	+0.23	133.45	–	4.62
3	Over 15 years	145.17	+0.31	144.73	–	5.92
4	Irredeemables	168.17	+0.17	167.88	–	6.10
5	All stocks	131.47	+0.20	131.21	–	4.78
	Index-Linked					
6	5 years	134.27	-0.03	134.31	–	1.36
7	Over 5 years	133.96	+0.06	133.88	–	1.28
8	All stocks	133.87	+0.06	133.79	–	1.27
9	Debentures & Loans	115.04	....	115.04	–	3.80
10	Preference	89.19	....	89.19	–	2.05

	AVERAGE GROSS REDEMPTION YIELDS		Thu May 18	Wed May 17	Year ago (approx.)
	British Government				
1	Low	5 years	9.57	9.57	8.65
2	Coupons	15 years	9.22	9.24	9.24
3		25 years	9.05	9.06	9.06
4	Medium	5 years	10.70	10.74	9.12
5	Coupons	15 years	9.65	9.69	9.43
6		25 years	9.22	9.25	9.24
7	High	5 years	10.80	10.85	9.22
8	Coupons	15 years	9.88	9.91	9.58
9		25 years	9.40	9.42	9.31
10	Irredeemables	†	9.04	9.06	8.91
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.46	3.51	2.45
12	Inflation rate 5%	Over 5 yrs.	3.58	3.58	3.73
13	Inflation rate 10%	5 yrs.	2.78	2.63	1.57
14	Inflation rate 10%	Over 5 yrs.	3.42	3.42	3.58
15	Debs &	5 years	12.14	12.14	10.40
16	Loans	15 years	11.57	11.57	10.67
17		25 years	11.13	11.13	10.71
18	Preference	†	10.18	10.18	9.66

♦Opening index 2162.3; 10 am 2159.3; 11 am 2165.2; Noon 2164.9; 1 pm 2168.7; 2 pm 2169.7; 3 pm 2168.7; 4 pm 2178.9; 4.05 pm 2179.0 (a) 3.54pm (b) 9.48am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	9	83	15
Corporations, Dominion and Foreign Bonds	22	0	21
Industrials	535	272	770
Financial and Properties	232	107	317
Oils	32	19	46
Plantations	1	2	9
Mines	65	36	76
Others	101	58	98
Totals	997	577	1,352

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
[illegible]							

[illegible] earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♥ Issued by tender. ♣ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ☆ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings — May 15
- Last Dealings — May 26
- Last Declarations — Aug 10
- For settlement — Aug 21

For rate indications see end of London Share Service

Calls in Int Media, Talbex, Untd Newsp, Eagle Trst, Prop Trust, Oliver Res, Medirace Wrnts, Atlantic Res, Chelsea Art, Blackwood Hodge, Boosey & Hawkes, Business Tech, Bristol Channel.

LONDON TRADED OPTIONS

LADBROKE GROUP led the London Traded Options Market field yesterday, attracting 2,978 contracts, consisting of 2,599 calls and 379 puts. This was against the background of a favourable market view of events at the company's annual meeting, which included the announcement of a one-for-one scrip. The price of the share on the underlying market rose 29p on the day to 609p.

A flash of late running by Jaguar took it into second place in turnover terms, on 2,336 contracts, comprising 1,611 calls and 725 puts. At 2.30 pm, no more than 884 contracts had been recorded. The closing price of the underlying share was up 12p on the day to 313p.

Overall options market business reached the moderately high level of 39,460 contracts, consisting of 29,799 calls and 9,661 puts. Dealings in the FT-SE 100 index amounted to the relatively high level by the standard of recent days of 6,096, made up of 3,800 calls and 2,296 puts. Foreign exchange markets took on a calmer aspect after the reaction on Wednesday to the fall in the US overseas trade deficit for March.

Dealings in the index on the London International Financial Futures Exchange saw the March contract at a modest premium over fair value, which allows for dividend and interest rate expectations. A new, and three-week, stock exchange account period opens on Monday, along with heavy ex-dividend movements.

The options business in Ladbroke saw an opening of interest of 1,116 contracts to 4,354 on the call side, and of 191 to 1,763 on the put. The most heavily traded individual series was the July 550 call, which attracted business of 952 contracts, but closing of interest on the day of only 12 contracts to 600.

There was opening of call interest in the July 420s and 500s, as well as in the October 600s, some 573 contracts in which attracted opening of 448 contracts to 1,137. On the put side, 200 contracts were handled in the October 550s.

The Jaguar business saw particular activity in the July 300 calls, as opening of positions was carried through on both the call and put sides of the stock. Other relatively active options stocks were United Biscuits and Cable & Wireless, as well as others including Sears, Racal Electronics, BAT Industries and British Airways.

Option	CALLS			PUTS		
[illegible]						

UK COMPANY NEWS

Contribution of £24.8m from property disposals exceeds City estimates

Whitbread brews up 19% gain to £223m

By Lisa Wood

WHITBREAD, the brewing and retailing group, yesterday announced pre-tax profits of £223.2m for the year to February 25, an increase of 19 per cent over the previous year and, boosted by property profits, at the top end of City forecasts.

Profits from retailing, including the Beefeater Steak Houses and Keg restaurants in North America, overtook brewing for the first time in the second half of the year. Mr Peter Jarvis, chief executive said: "We are on track to being the pre-eminent leisure retailer in the UK and we believe we can export these skills. That is our investment priority."

Mr Jarvis criticised the Monopolies and Mergers Commission report, which if implemented in its current form, could force companies like Whitbread to make radical changes. The Commission, for example, wanted brewers to have a limit of 2,000 on the number of pubs they could own. Whitbread owns more than 6,600.

Mr Jarvis said: "We believe, that if forced we could flourish as a brewer with 2,000 outstanding sites or as a leisure retailer only."

He said he believed that there should be changes in the industry that would benefit the consumer but the ones recommended by the Commission would result in higher prices of beer, *fewer brands and fewer pubs.*

Positive changes, suggested Mr Jarvis, could include improved security for tenants and the stipulation that it should be cask conditioned beers that were guest beers. He said a suggestion that was being floated that pubs could be exchanged at the local level, so as to break down local monopolies, was sensible.

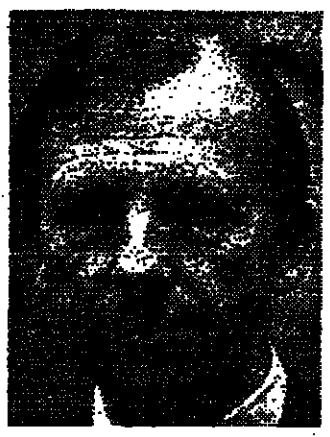
Whitbread announced with its results that there had been a full revaluation of its UK properties resulting in their value being increased by just under £1bn to nearly £2.3bn.

Basic earnings per share increased from 29.32p to 36.01p with a proposed final dividend of 9.3p making 12.55p for the year, an increase of 19 per cent.

Group turnover increased 9.3 per cent to £1,845.3m, mainly reflecting a growth in beer volumes and sales growth in managed pubs. Pre-tax profits included a contribution of *£24.8m from property disposals* – compared with £10.3m last year – which was higher than City estimates.

In the beer, brewing and wholesaling division, profits rose from £100.4m to £108.7m, an increase of 8.3 per cent. Whitbread – like Bass – has spent heavily during the year on promoting its brands as well as launching new brands.

Whitbread said it had won market share in both the on and off-trades in virtually all areas of the country. Performance was particularly good, it said, in cask conditioned ales



Samuel Whitbread: chairman.

and premium lagers. Turnover increased by 7.4 per cent to £692m.

Retailing profit expanded from £83.1m to £100.1m, an increase of 20.5 per cent. Turnover in the division rose 15.2 per cent to £990.5m. Beefeater, had another good year with 20 new restaurants opened.

Keg Restaurants in Canada and the US achieved "outstanding sales and profits" and eight new sites would be opened this year. Whitbread said that since Keg was acquired in 1987 it had been turned from a loss making business into a significant profit contributor by the application of marketing and control techniques developed in the UK.

Profits in the wines, spirits and soft drinks division rose from £31.7m to £35.4m, an increase of 11.7 per cent. Turnover was down from £333m to £315.5m. reflecting the disposal of Fleischmann Distillers.

The integration of Long John International and James Burrough was now completed and the latter had completed an outstanding year, the company said. Sales of Beefeater Gin were good in the US, its major market, and growth was achieved in other areas, notably Spain.

See Lex

'Disappointing' US losses help knock Royal back to £44.7m

By Nick Bunker

MOUNTING CLAIMS relating to environmental pollution, the two-year-old insurance price war in the US and losses from its UK estate agency chain helped cut pre-tax profits at Royal Insurance 19 per cent to £44.7m in the year's first quarter.

During the three months to March 31, Royal made a pre-tax loss of £13.3m in the US, compared *with a £15.1m* profit in 1988.

The US result, which Mr Ian Rushton, group chief executive, called "most disappointing", highlighted the toll taken by fierce competition for the so-called "commercial lines" business in which Royal specialises.

At the low end of analysts' expectations which varied from £43m to £58m, the group-wide figures triggered a 13p slide in Royal's share price to 413p. Group earnings per share fell from 7p to 6.3p.

In UK non-life insurance, the mild winter weather helped the group to a record pre-tax profit of £37.9m (£16.7m), as premium income rose 8.4 per cent to £327.7m. Buoyant profits from household insurance more than offset what Mr Rushton said were "a number of large losses" from insurance for *business customers.*

There was an £8.4m loss though from Royal's 819-outlet UK estate agency operation, which thanks to the sluggish housing market sold only 14,000 homes.

In Canada, pre-tax profits fell from £9.5m to £6.9m, not least because the Ontario government's decision to limit motor premium rate increases has fuelled competition among insurers for other types of risk.

Dominating the figures was the poor performance in the US, where the operating ratio (claims and expenses as a percentage of premiums) worsened substantially to 119 per cent (110 per cent). One feature bothering analysts was an $18m (£11.14m) addition to reserves to cover claims arising from asbestos and toxic waste clean-ups, much of them from insurance policies issued before 1970.

Under Mr Bill Buckley, Royal US' new chief executive, the group is taking steps to improve performance, Mr Rushton said. These included a review of Californian business, partly in the light of the state's Proposition 103 rate-cutting measure, a tidying-up and improvement of claims handling ability, and an upgrading of underwriting of commercial lines business.

See Lex

Warringtons advances to £1.03m

WARRINGTONS, the property investment and development and housebuilding group, yesterday unveiled taxable profits of £1.03m for the six months to end-March.

The outcome compared with profits of £630,000 for the nine month period to September 30 1988, and was struck on turnover of £15.06m (£11.27m).

Mr Graeme Jackson, chairman, said that during the period significant acquisitions have been made for development where margins were proving to be better than expected. This should bolster profits for the full year and for 1990, he added.

Tax took £206,000 (£260,000), leaving earnings per share doubled at 3.2p. An interim dividend of 1p is declared.

Marley confident

Sir Robert Clark, chairman, told agm 1989 was expected to be a year of further progress.

Lower property sales cut Morland to £2m

By Lisa Wood

A SUBSTANTIAL reduction in the contribution from property disposals drove interim pre-tax profits down 31 per cent at Morland & Co, the Oxfordshire-based brewer. Yesterday it announced profits of £2.11m for the six months to March 31, against £3.08m last time.

Turnover in the period increased 9 per cent to £11.91m. Property disposals in the period were worth £398,000, compared with £1.56m previously. The half-year taxable profits, excluding income from property sales, rose from £1.52m to £1.71m an increase of over 12 per cent. Morland said that the situation was due solely to the chance of timing. "In fact, if the end of our half-year had been two weeks later, this statistical effect would have been avoided."

Earnings fell to 17.9p (30.5p) per share and the directors have raised the interim dividend to 3.15p (2.8p).

Morland said that it had held its share of the beer market and that sales of both wines and soft drinks were excellent.

The company, which described its sales to the free trade as modest, could be adversely affected by the Monopolies and Mergers Commission's recommendation on guest beers. This would favour those companies with strong brands, well established in the free trade.

"The recommendations as drafted would be deeply damaging to the business – other than retailing – of Morland, and regional companies in general," said the company. It added that it applauded the Brewers' Society's initiatives in explaining to the Government how misguided and damaging to the consumer the proposals made by the MMC would be.

Royal Heritage error admitted

By Eric Short

ROYAL INSURANCE has admitted that it should have been swifter to taken management control of Royal Heritage, the life assurance group which it bought in 1985.

The admission came yesterday from Mr Geoffrey Kellett, deputy group chief executive. He was discussing the recent £5m payment by the group's unit trust and unit-linked life subsidiary into the Aveling Barford pension scheme because of Royal Heritage's involvement with the failed investment company, Mildminster.

Royal Heritage, previously Lloyd's Life, was taken over by Royal to fill a gap in its life assurance operations. "With hindsight, we were too slow to take total control," Mr Kellett said.

Mr Kellett said Lloyd's Life had a highly entrepreneurial, go-ahead executive team, which was one reason for the acquisition. The decision was taken to allow it a high degree of automony, with a separate administration office at Peterborough away from the main Royal Life adminstration in Liverpool.

However it emerged last month that Royal Heritage was connnected with Mildminster, an investment company now in receivership and subject to investigations by the Serious Fraud Office and Lincolnshire police.

Mildminster had been entrusted with investment of some £4m of the pension scheme assets from Aveling Barford, the engineering firm, using funds managed by Royal Heritage as investment vehicles. It was found that less than £2m of those funds could be accounted for.

Royal unscrambled the whole deal, and returned the £4m investment, plus £1m lost investment income, plus costs. The net cost being £4.2m. On the advice of its auditors, Royal is charging this to the prior year's profits.

Royal is also conducting an in-depth review of Royal Heritage's management, but Mr Kellett said: "No heads have rolled, as yet." However Mr Jeff Medlock, Royal's group actuary, has taken over as chief executive of Royal Heritage, with all the signs that this is not a temporary move.

Bisichi Mining at £0.13m

TAXABLE PROFITS of Bisichi Mining, which is involved in mining and investment finance, advanced from £106,630 to £131,908 in 1988. Gross income rose to £319,000 compared with a previous £294,000.

The directors have recommended an increased final dividend of 0.51p (0.47p adjusted) and earnings worked through at 0.97p (0.88p) per 10p share.

The chairman said that the mining strategy was to utilise a proportion of the positive cash flow from the portfolio of shop properties and listed investments to finance further investments in that area.

During 1988-89 the company had invested in direct gold mining in the US and South Africa.

Tax took £30,960 (£14,935) and there was an extraordinary £19,314 debit (£120,991 credit).

The directors reported no change in the commercial property portfolio.

CIT lifts Saints stake to 11.8%

Continental and Industrial Trust, a South African-controlled investment trust, has increased its holding in The Scottish American Investment Company (Saints) to 11.82 per cent with the purchase of nearly 24.8m shares at 110½p.

Conduit Insurance Holdings and Transatlantic Holdings, both part of the Liberty Life group, together own more than 71 per cent of CIT, which said its stake in Saints was a long-term investment.

Carousel sells its stake in CI

Carousel Investments, the Swiss-based Saudi investment vehicle which is managed by Mr Ahmed Abdullah, has disposed of its remaining stake in CI Group, the Midlands-based steel and engineering company.

Carousel informed CI yesterday that it had sold its remaining 5.08m shares, which represent 5.9 per cent of the total, and no longer had any interest in the company.

Repsol may buy remaining Carless assets

By David Waller

REPSOL PETROLEO, the Spanish oil group, seems set to emerge as the buyer of the last remaining downstream assets of Carless that Kelt Energy acquired when it bought the energy group in January.

The remaining businesses are Carless Petroleum, a fuel distributor which runs 550 service stations in the UK, and Carless Refining and Marketing. The price is likely to be between £70m and £80m.

Repsol was unwilling to comment although Carless was obliged to put out a statement in response to press speculation. This merely confirmed reports that it was in negotiations with Repsol, although it is thought a formal announcement of the sale will be made late next week.

UK COMPANY NEWS

Interest rates cut into profits though the dividend is increased 2.8%

Gerrard falls sharply to £1.7m

By David Lascelles, Banking Editor

GERRARD & NATIONAL, the City of London financial services group, suffered a sharp drop in profits for its latest financial year as its trading book fell victim to fast-rising interest rates.

Group profits after tax for the year ending April 5 1989 were £1.7m, down from £7m after a transfer to inner reserves the year before. However Gerrard is raising its dividend by 2.8 per cent to a total of 18.5p.

Mr Brian Williamson, who has just taken over as group chairman, said yesterday that Gerrard was keen to demonstrate that its 20-year policy of paying an increased dividend was being maintained despite the poor result and the change at the top.

The cost of the dividend is £7.1m. This accounts for the fall in disclosed shareholders' funds from £92.4m to £87.1m. There was no transfer to or from inner reserves.

Mr Williamson said that last year had been one of the most difficult in the company's history. Although shareholders were told at the interim stage in October that a modest profit had been despite the eight base rate rises from 7.5 per cent to 12 per cent, the trading position worsened after that.

Gerrard failed to anticipate the additional rise to 13 per cent which followed on the unexpectedly strong retail sales figures and very bad trade figures announced in November. This caused Gerrard to suffer losses on its principal business, which is the trading of short-term money market instruments.

Since then, market conditions have remained difficult, with little scope for profitable trading.

Among the group's specialised activities, banking made a sufficient profit to offset the losses in the discount house's trading activities. The group's gilt-edged market maker, Gerrard & National Securities also made a small trading profit for the year but did not cover all its expenses.

GNI, the financial futures and commodity broking subsidiary, had another good year with profits increasing by over a third. Gerrard Vivian Gray, the stockbroking subsidiary made a loss because of low volumes on the stock exchange, though following its recent investment in systems and premises it is well placed to take advantage of the recent improvement in the market, Gerrard said.

Mr Williamson said that the company continued to take an exceedingly cautious view of the outlook. Although base rates might have peaked, it still feared a further rise to 14 per cent might be necessary.

● **COMMENT**

Anyone who holds discount house shares must be prepared for a rough ride. Although Gerrard anticipated eight out of last year's nine base rate rises, it misread the last, with costly consequences. The group does not break out much detail, but it appears that the final result closely reflects the performance of the discount house subsidiary (including its profitable banking arm), with the mixed results from the other subsidiaries cancelling each other out. The new chairman is anxious to stress continuity in dividend and strategic policies, which means Gerrard will try to go on rewarding loyal shareholders, while building up more diverse and predictable sources of earnings. The relatively modest fall in the share price by 5p to 275p leaves the shares yielding about 9 per cent, which is at the top end of the discount house range.

Globe Inv Trust outpaces Index with 20.2% rise in NAV

GLOBE INVESTMENT Trust, the UK's largest investment trust, yesterday reported a 20.2 per cent rise in its net asset value, to 206.14p, for the year to end March 1989, narrowly outpacing the FT-A All Share index which rose by 20 per cent in the period.

Mr David Hardy, Globe chairman, says that "against a background of low corporate activity for the first nine months in the UK coinciding with difficult US and Japanese markets, it is very heartening to beat the Index."

The group's attributable profits rose by 10.2 per cent, to £27.08m, and with a final payment of 3.87p, the total dividend has been raised by 10.2 per cent to 4.98p. This compares with inflation of 7.9 per cent during the period.

The proportion of Globe's assets invested in Europe shrank from 71 per cent to 65 per cent over the year, the Japanese percentage remained unchanged at 9 per cent and the North American portion increased from 18 per cent to 24 per cent. Mr Hardy said that the group's dollar exposure had increased from 22 per cent to 30 per cent.

Mr Jimmy West, Globe's chief executive, says that Globe is encouraged by the US administration's policies and has borrowed yen and bought dollars in order to invest in relatively high yielding international stocks in the US market. The group now has £150m more invested in Wall Street than a year ago.

The other feature of Globe's results is the increasing importance of its unquoted portfolio which now accounts for 12 per cent of the group's assets and is set to grow to 20 per cent of the total. During the year Globe invested £46.1m in unquoted situations and raised £27.4m from disposals.

Mr David Gregson, who heads up the unquoted part of Globe's business and has just been promoted to the main board, says that this side of the business has shown a 30 per cent per annum compound rate of return over the last four years, which is double the return in the FT-All share over the same period.

Mr Hardy said that the final quarter was one of Globe's best ever, as a result of the quickening of major equity markets, which had begun during the third quarter.

He also announced a new mission statement: "to provide shareholders with a total return of capital performance and income growth exceeding that available from comparable investments and from the median of similar investment trusts."

Income from listed investments was £37.03m (£31.74m); unlisted investments was £7.27m (£6.96m): interest income was £4.16m (£4.93m), and other income £2.64m (£3.83m). Administrative expenses totalled £3.81m (£3.02m) and interest payable £14.58m (£13.76m). Fully diluted earnings per share of 5.1p were 8 per cent higher.

Wilkes pays £7.5m for components supplier

By John Ridding

JAMES WILKES, manufacturer of promotional products and box making machinery, is to acquire Avon Transmission Services, the Wakefield-based transmission manufacturer and reconditioner, for a maximum of £7.5m.

According to Wilkes, Avon is the major independent UK supplier of transmission components for passenger service vehicles.

Avon has benefited from the deregulation and privatisation of the bus industry after 1986 which led many bus companies to close their own workshops.

In the year to July 31 1988, Avon reported pre-tax profits of £1m on turnover of £8.7m. Net assets at that date stood at £2.4m.

Avon has warranted pre-tax profits of at least £1.8m for the year to July 1989.

Mr Stephen Hinchliffe, chairman, said the move reflected Wilkes' strategy of acquiring and developing niche businesses engaged in the manufacture and distribution of consumable products. He said that Avon had "significant potential for growth and will enhance the group's earnings".

The initial consideration is £7m, comprising a vendor issue of £1.5m of redeemable preference shares, £3m of guaranteed loan notes and £2.5m in cash. A further £500,000 is conditional on meeting profit targets.

A net dividend of £2m is to be declared by Avon before the completion of the acquisition.

Fraser £6m Scots stores sale

By James Buxton, Scottish Correspondent

HOUSE of FRASER, the retail group owned by the al-Fayeds, yesterday completed the sale of seven Scottish department stores to a management buyout team led by Mr Murdoch McMaster, a former Fraser director, in a deal worth £6m.

Fraser announced in March that it was selling the stores in order to concentrate on outlets with more than 100,000 sq ft of floor space.

The seven stores, in towns such as Ayr, Irvine and Stirling, are now owned by McMaster Stores based in Ayr. The new company is headed by Mr McMaster. His son Graeme is stores director.

Shares in the company are owned by the McMasters and two other directors, with Charterhouse Development Capital, which handled the management buyout, having invested £1m in it.

The seven medium-sized department stores have annual turnover of about £22m and are all profitable. They are giving up the names Anotts or Fraser under which they operated under House of Fraser and are reverting to their original trading names.

Vickers to reorganise core businesses

By Nick Garnett

VICKERS, the industrial group, is expected to announce in the next week a major shift in its portfolio of core businesses.

The company had indicated last year that it might be prepared to sell its marine engineering companies which accounted for £76m of its total sales of £776m in 1988.

City analysts have also questioned whether the group wants to maintain its medical equipment operations.

Vickers is known to be keen to acquire more businesses in aerospace and precision components and indicated in January that it might be interested in buying VSEL, the nuclear submarine builder.

However, the printing equipment industry has been alive with speculation in the past two weeks that Vickers is planning to sell its Howson-Algraphy printing plate business.

The Leeds-based operation is Vickers' second largest company with sales of £180.6m last year compared with the turnover of £205m at Rolls-Royce Motors, the largest Vickers group company.

Speculation in the industry has centred on a purchase of Howson by Du Pont, the largest US chemicals company.

Du Pont does not make printing plates though it manufactures the chemical film for plates and electronic equipment for printing. It has been seeking to buy manufacturing capacity in printing plates.

A spokesman for Du Pont at its headquarters in Wilmington, Delaware, said yesterday that the company was aware its name was being linked with Howson.

Vickers has declined to make any comment on likely changes in its structure of companies.

City analysts expressed surprise yesterday at speculation that Howson might be sold. The company is Europe's second largest printing plate maker and accounted for £20.4m of Vickers group profit of £75m last year. That was a 10 per cent increase on sales up 16 per cent.

It improved its access to the North American market with the acquisition in 1988 of Imperial Metal & Chemical, the US printing plate supplier.

However, growth in printing plates is expected to slow down. Howson warned this year that price margins were coming under increasing pressure. New and aggressive competitors have emerged. BASF of West Germany, for example is investing heavily to increase its share of the market.

Whessoe doubles to £1.52m

PRE-TAX PROFITS at Whessoe, the pipework maker and process plant contractor, doubled from £760,000 to £1.52m for the half year to April 1 1989.

However, a reduction in turnover from £46.74m to £27.75m reflected the lower level of activity in heavy engineering, following the decision last year to rationalise AGR nuclear engineering activities. This was due to technical difficulties associated with old contracts now completed or nearing completion.

Commenting on the results, Mr George Duncan, chairman, said he hoped the resolution of these problems and an anticipated increase in workload, made the future outlook more encouraging.

Earnings per share advanced from 2.9p to 5.7p. The directors increased the interim dividend by a quarter to 1.25p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Appleby West'd §	fin	4.5	-	-	6.5	-
Bank of Ireland	fin	8.5♦★	July 7	7.75	12.5	11.75
Bleichi Mining	fin	0.51	-	0.47*	0.51	0.47*
Carr's Milling	int	1.75	June 20	1.75	-	7.5
Fine Art Devs	fin	5.75†	July 7	5	7.75	6.8
Fulcrum Inv Tst	int	2.55	-	2.55	-	6.95
Gerrard/National	fin	15.5	-	15	18.5	18
Glamar Group	fin	nil	-	6.7	2	6.7
Globe Inv Trust	fin	3.87†	July 5	3	4.98	4.52
Lep Group	fin	3.3†	July 15	2.7	4.75	3.9
Morland	int	3.15	-	2.8	-	9.05
Ocean Wilsons	fin	2	-	2	2.5	2.5
River & Merc Tst	int	1.5	-	1.4	-	6.55
Shires Inv	fin	5.45	-	5.3	15.5	14.75
Third Mile Inv	fin	2.05	-	2.05	3.35	3.3
Warringtons	int	1	July 3	-	-	1‡
Whessoe	int	1.25	-	1	-	4
Whitbread	fin	9.3	July 25	7.75	12.55†	10.55
Witan Inv	fin	1.825	-	1.45	3.125	2.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡For nine months. ♦Irish currency. ★Comprises second interim dividend of 3.5p and additional dividend of 5p in respect of year to end-March 1986 out of undistributed profits for that year.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Colonade Development Cap, Kynoch (G & G), Lonrho, Radio Clyde.

Finals- Alpine, English & Intl Trust, French Connection, Personal Assets, Value & Income Trust, Walker Greenbank.

FUTURE DATES

Interims-	
Crown Comm	May 26
Dwyer	June 2
Ferry Pickering	May 26
Lee (Arthur)	June 21
Ranks Hovis McDougall	May 23
Finals-	
Boots	June 8
Chillington	May 24
Dunhill	May 31
Fairbriar	May 23
London & O'seas Freighter	May 22
Petrocon	May 22
Thorn EMI	June 8

ALL THE SIGNS ARE ENCOURAGING

The Chairman, Mr Sam Whitbread, said: "We have made excellent progress. This performance is based on profit growth in all three main areas – Leisure Retailing, Beer and Wines & Spirits. Our main brands have done extremely well."

"These signs demonstrate our proven strategy to develop all three sectors of our business. Leisure Retailing is our fastest growing area in turnover, investment and long term profit growth in the UK and now overseas."

"The business is supported by valuable property assets. During 1988/89 Whitbread's property was revalued at £2.3bn, which represents an increase of over 75% on book value."

RESULTS 1988-1989

(Year ended 25th February 1989.)

Profit Before Tax	£223.2 m + 19.2%
Earnings per Share	36.01 p + 22.8%
Proposed Total Dividend	12.55 p + 19.0%
Property Revaluation Surplus	£975 m

ESTD 1742

WHITBREAD

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PAST PERFORMANCE IS NOT NECESSARILY A GUIDE TO THE FUTURE.

UK COMPANY NEWS

LUI examines directors' US link

By Nick Bunker

TWO DIRECTORS of London United Investments, the specialist insurer, failed for 10 years to reveal in its published accounts that they were shareholders of a US company called Russell Reinsurance Services which had business links with the group.

The two men, Mr Ronnie Driver and Mr Peter Wilson, are chairman and deputy-chairman of LUI, and among the best-known executives in the insurance company market clustered around Lloyd's.

However, according to LUI's 1988 annual report, published this week, their connection with Michigan-based Russell Re has been the subject of an investigation by the group's other directors, who include Prince Michael of Kent, the Queen's cousin.

Shares in Russell Re owned by the two men and a retired associate, Mr Harold Weavers, have now been handed over free to LUI itself, together with a cash dividend of $300,000 (£182,000). Russell Re had £525,000 of net assets attributable to the three men's shares.

The report says that whether Russell was a subsidiary of LUI before 1988 was "not free from doubt." If it was not a subsidiary though, then under company law Mr Driver's, Mr Wilson's and Mr Weavers's interests in it should have been notified to their fellow directors.

Mr Wilson said last night that the failure to mention Russell Re in previous annual reports was purely an oversight. It had been brought into the 1988 accounts, he said, because "we are very honest people and we have always done our best to disclose all relevant information." He said that he and Mr Driver and Mr Weavers had never received any benefits, expenses or salaries from Russell Re.

Since January, LUI's shares have more than halved from a high point of 137p to a low of 65p yesterday, mainly because of a 40 per cent slump in its pre-tax profits to £5.5m and fears about its exposure to US liability insurance claims.

Russell Re now operates as an agent for First Reinsurance Company of Hartford, an LUI subsidiary. The Russell story dates back though to 1977, when it was incorporated in Michigan to manage business on behalf of US insurance companies.

There were transactions "in the normal course of business" between these US companies and an LUI subsidiary, Walbrook Insurance, based in London. In addition though, the US companies bought reinsurance protection from Walbrook to cover losses from the business which Russell underwrote on their behalf.

The report shows that Mr Driver, Mr Wilson, and a former business associate, Mr H S Weavers, helped set up Russell Re in 1977 and subscribed $10,000 for 500 of its initial offering of 975 shares. Their shares were held by a US lawyer as nominee, but in December 1988 they said that they "did not regard themselves as having any beneficial interest" in Russell Re's shares. This led to the investigation by the rest of the board.

Coates Bros warns of interim profits fall

By John Ridding

SHARES IN Coates Brothers, the inks and resins manufacturer, fell 17p to 283p yesterday after a warning that profits for the first half of the year would not exceed those for the same period in 1988.

At the annual meeting, Mr John Youngman, chairman, said that his cautious outlook when the 1988 results were announced in March had been borne out by results for the first quarter.

In the UK market, which accounts for about 30 per cent of sales, there was weakening demand, prompting continued pressure on margins.

Mr Joseph Darroch, finance director, said that the company had been caught between the continuing rise in raw material costs and the downward pressure on prices from its retail sector customers.

Although the group's operations in Africa, South East Asia and Europe were reported to be performing well generally, Mr Youngman said: "If current trends continue, it is unlikely that pre-tax profits for the first half will exceed last year's level, even including a full six months contribution from Lorrilleux."

Lorrilleux, the French inks manufacturer, was acquired in January last year from Orkem, the French state-owned chemicals group in return for a 40 per cent stake in Coates. Last year the addition helped boost profits for the year by 57 per cent to £34.4m.

Mr Youngman said that, despite his caution, the "situation is due to changes in market conditions and I remain optimistic about the group's prospects in the longer term and the benefits of the Lorrilleux and Orkem relationships".

According to the company, demand was fairly good in the synthetic resins business and the prices of raw materials for resins were beginning to ease.

Following the warning, however, analysts downgraded their forecasts for the current year from £36m to about £34.5m, the same as last year.

Pearson joins Lazards in purchase of £100,000 stake in Tri-Service Press

By John Ridding

THE PEARSON Media Fund and Lazard Brothers' Defence Fund have jointly taken a 30 per cent stake in Tri-Service Press, a publishing and information service which specialises in aerospace and defence.

The two investment funds are paying £100,000 for the stake. In addition they are injecting £650,000 into the company to finance Tri-Service's acquisition and product development programme.

Tri-Service, which was established in July 1988 by former executives of Jane's Publishing, is planning a range of books, newsletters, magazines and videotape publications. Mr Jeremy Gambrill, managing director, said: "A major acquisition will be finalised shortly."

The £30m Pearson Media Fund was set up in 1988 by the Pearson Group, publisher of the Financial Times, to make equity investments in information-related businesses.

UK COMPANY NEWS

Fine Art rises to £22.6m despite postal dispute

By John Thornhill

FINE ART Developments, the greeting cards manufacturer and distributor, increased pre-tax profits by 12 per cent from £20.24m to £22.63m in the year to March 31, despite the "major impact" of last year's postal strike.

The City was pleasantly surprised and Fine Art's share price rose 18p on the announcement to 249p.

Turnover advanced from £196.17m to £220.67m. The directors are recommending a final dividend of 5.75p making 7.75p (6.8p) for the year. Earnings per share rose by some 15 per cent to 19.39p (16.8p).

The mail order division recorded a marginal increase in turnover but a small decrease in profit. The company said these disappointing results were a direct consequence of lost sales and additional costs arising from the postal disruption. According to Mr Keith Chapman, chairman, the installation of an automated handling system at its site in Accrington, Lancashire, is on schedule and pre-operational testing has been highly satisfactory.

Sales and profits in the greeting cards and paper products division increased by over 25 per cent. This division was strengthened and its scope broadened by the acquisitions of the Calder Book Company in August, and Hunt and Broadhurst in December. However, these purchases did not contribute materially to the result, Mr Chapman said.

Interest payments were £4.18m (£2.63m) and tax was £7.93m (£7.65m). An exceptional tax credit of £1.4m was gained from VAT repayments although an exceptional loss of £600,000 was incurred on the costs of closing down its gardening mail order business.

● **COMMENT**

The postal strike stunted Fine Art's progress this year and may have reduced profits by some £2m to £3m, but even so this was an encouraging performance. In the current year the mail order side should recover strongly and further cost reductions should result from new technology being introduced at Accrington. Growth of about 20 per cent is envisaged for this year. In the longer term, Fine Art would appear to be an interesting investment: good on fundamentals with the added spice of its proposed joint venture with Otto Versand, the West German mail order company. This mail order operation should become operational in 1990. Fine Art looks attractive on a prospective multiple of about 11, resulting from pre-tax profit forecasts of £27m, and this would be especially so if the share price pauses for breath after yesterday's sharp rise.

Glamar slides further into red

By John Thornhill

GLAMAR GROUP, the Leeds-based hosiery supplier at which Mr Stephen Barker, the former managing director of Albert Fisher Group, staged a management buy-in two months ago, yesterday announced that it had moved deeper into loss.

The company recorded a pre-tax loss of £164,000 in the year to March 31, compared with a pre-tax profit of £1.06m in the corresponding period. At the interim stage, losses amounted to £30,000. Reorganisation costs and other non-recurring items amounting to £171,500 were included in the losses announced yesterday.

Turnover dropped sharply from £6.34m to £3.22m. Losses per share amounted to 1.42p against earnings of 9.24p previously. An extraordinary debit of £20,000 represented flotation costs for a rights issue.

Mr Barker said that, although a significant downturn had been expected, additional unforeseen factors had affected trading. Reduced orders from a major customer, Gateway, the supermarket chain, and delays in launching its Classics range had had an impact.

Despite the losses, Mr Barker said he regarded the prospects for the group to be "extremely favourable". In March, £2.65m was raised through a rights issue, and the company had taken its first step in implementing its new expansionary strategy through the proposed acquisition of Triad Leather, he said.

"Both the hosiery and leather markets are highly fragmented and we see an opportunity to consolidate in these two areas. We have a number of acquisitions under review," he said.

The Classics range was successfully launched in December and Glamar was now trading at a profit, Mr Barker added.

'Good year all round' sees Bank of Ireland advance to I£128.5m

By David Barchard

THE BANK of Ireland made pre-tax profits of I£128.5m (£108m) in the year to March 31, a rise of 18 per cent on the previous year.

The outcome would have been £159.5m, but for an exceptional charge of £31m for redundancies and other staff changes as part of a cost cutting exercise.

However, this year there was no provision against developing country sovereign debt. Last year the bank made provisions of £23.3m.

Mr Richard Keating, head of the bank's UK arm, said that the result reflected "a very good year all round" for the group. Retail operations in the Irish Republic, where the bank has a 43 per cent market share, had been particularly profitable.

Lifetime, the insurance subsidiary, had a very good first year, Mr Keating said, and had contributed £7m to group profits.

Total assets rose 25 per cent to £11bn, reflecting the acquisition of First New Hampshire Banks. Total capital resources increased some 20 per cent to £889.4m.

The bank's capital adequacy rations under the BIS guidelines now stand at 6.8 per cent for Tier I capital (8.6 per cent) and 10.4 per cent for total capital (12.1 per cent).

Operating costs rose only 1 per cent to £236.5m. a level which Mr Keating said was very close to the levels of the major British clearers.

Earnings rose by 9.6 per cent to 33.1p. A total dividend of 12.5p (11.75p) is recommended for the year. A one-for-three scrip issue is also proposed.

BMP hits back against BDDP's account queries

By Nikki Tait

MR MARTIN Boase, chairman of Boase Massimi Pollitt, yesterday hit back at the accounting queries raised earlier in the week by BDDP, the Paris-based agency group which is waging a £118.5m bid battle for BMP.

In a letter to Mr Jean-Claude Boulet, head of BDDP, he says that certain reorganisation costs were taken below the line in the 1988/9 figures because they "fall outside the ordinary activities" of the company and are not expected to recur frequently or regularly.

He also maintains that "BMP's policy is not to assign values to purchase consideration which is contingent upon the occurence or non-occurence of uncertain future events".

And with regard to the certain sums paid to the vendors of Granby Marketing Services – which had been queried by the bidder – Mr Boase says that they fell below the level at which an announcement was required.

"My colleagues and I are fully aware of our responsibilities as directors," he adds tartly.

Minorco to appeal against US court decisions

By Kenneth Gooding, Mining Correspondent

MINORCO, the South African-controlled investment company, has entered appeals against the rulings by a New York judge which prevented it from completing its £3.5bn bid for Consolidated Gold Fields, the diversified UK mining group.

However, Minorco said this did not mean it had decided to fight the US anti-trust case through to the end. It had acted this week because the time-limit for entering appeals was about to expire.

The company is to hold an urgent board meeting in mid-June to discuss its future policy towards Consolidated Gold Fields in which it still has a 29 per cent shareholding.

Appleby Westward shows 69% rise to £1.62m

APPLEBY WESTWARD Group, the west country grocery wholesaler which came to the USM in June last year, reported a 69 per cent rise in pre-tax profits for the year to February 28.

The group, which also has interests in shopfitting and refrigeration and commercial vehicle repairs and servicing, saw taxable profits move up from £960,000 to £1.62m. This result was struck on turnover ahead 32 per cent at £47.99m (£36.47m).

Interest receivable jumped to £138,000 (£5,000) and, after tax of £591,000 (£324,000), earnings worked through at 18.6p (12.1p) per share. The directors have recommended an initial final dividend of 4.5p to make 6.5p for the year.

Mr Roger Harvey, chairman, said that the concept of convenience stores was now well established and independent retailers in Spar and VG – the chains to which it supplies groceries – have a sound future. He added that there were still areas in the south-west where Spar and VG did not operate, and that offered scope for further progress.

He said that the south-west continued to be a fast developing area with a growing population and the company was well placed to take advantage of these circumstances.

Third Mile Inv rises

Third Mile Investment, a special situation investment dealer, lifted pre-tax profits from £383,583 to £408,582 in 1988. Turnover expanded 14 per cent to £3.28m.

Earnings per share were 10.1p (12.6p), and a proposed final dividend of 2.05p lifts the total to 3.35p (3.3p).

Mr Jack Rice is due to hand over the chair to Mr Martyn Rose after the pending annual meeting.

COMPANY NEWS IN BRIEF

BLUE CIRCLE had started the year well, Mr John Milne, chairman, said in his annual report. The mild winter had enabled cement operations to continue to be exceptionally busy. He expected the momentum of the parts of the construction industry in which the company was involved to be maintained throughout the year.

CANNON STREET Investment's subsidiary, Direct Windows (York), has acquired Southend-based Inca Glazing Systems for an initial consideration of £1.67m cash. Additional consideration is payable in instalments based on Inca's profits record over the next three years, up to a maximum total of £5m.

CHRYSALIS GROUP: Pursuant to the arrangements for the acquisition of Lasgo, announced in December 1985, the company has now acquired from the vendors – PA Lassman, a director of Chrysalis, and M Ballabon – the remaining 12.5 per cent of the share capital of Lasgo for a consideration of £762,678 in cash and £624,010 in 10 per cent redeemable unsecured loan stock 1990.

COOKSON GROUP is acquiring Aldevienne of Poitiers, France. Aldevienne produces aluminium and zinc ingots and alloys, principally from scrap materials, for industry.

FII FYFFES: United Brands is converting its £6.5m worth of FII Fyffes convertible preference shares into 13.79m ordinary shares, bringing its holding to 18.5 per cent.

FORD SELLAR Morris Properties has exchanged conditional missives to acquire C&A's store and office investment in Union Street, Aberdeen, for more than £5m. The purchase was being undertaken in conjunction with Glendoric Properties of Glasgow.

GAELIC RESOURCES has acquired an option to purchase a 51 per cent interest in BDL Systems, a private designer and manufacturer of electronic systems. Gaelic will bid for 100 per cent control by offering 20 of its own shares for each BDL share.

KENMARE RESOURCES: Cluff Resources has exercised its entire remaining option over 2.9m shares bringing total of I£1m into company. Shares issued as a result placed at market prices with institutions.

LAMBERT HOWARTH: Offer from Peter Black accepted as follows; acceptances valid in all respects – 31,199 shares (0.6 per cent), and acceptances not complete in all respects – 6,464 shares (0.1 per cent). Offer extended to June 5.

LESLIE WISE Group has reached agreement for the purchase of All That Jazz, a women's wear manufacturer, subject to contract and an accountant's report. Initial consideration is approximately £2.6m, with a profit-related deferred payment of up to £1.25m. All That Jazz made trading profits of some £600,000 in the year to end-September 1988, and has warranted profits of £800,000 for the current year.

PLASTIC CONSTRUCTIONS: The offer from Glynwed International has closed. Glynwed owns, or has received acceptances totalling 5.72m shares (99.8 per cent).

STANCO EXHIBITION GROUP has sold the entire issued capital of Product Display Systems for £10,000 to its existing management.

UK COMPANY NEWS

Stead reopens talks with Clayform

By Andrew Hill

STEAD & SIMPSON will today reopen talks with Clayform Properties, which last year failed in its £106m bid for the shoe retailer and motor trader.

The property group's hostile offer lapsed on July 16, but Clayform held on to 41 per cent of Stead's voting shares, which it had bought before or during the bid.

Since then it has added another 2 per cent to the stake – the maximum allowed under the Takeover Code – but cannot mount a new bid until after July 17 of this year, unless the Stead board agrees.

In a letter to shareholders sent yesterday, Stead said it wished to clarify the situation well before July.

Mr Peter Gee, the shoe retailer's managing director, said yesterday: "We are not looking to sell the company but obviously we will be looking forward to hearing what they have to say."

He added: "I have had several discussions [with Clayform] through the year, but we feel that for the benefit of shareholders and employees, we ought to get a clear statement *of [Clayform's] intentions.*"

Last year's offer valued the group at £106m, £10m below the value claimed by Stead for its assets – retail properties which Clayform believes should be run by a property specialist.

Those properties are being revalued and a new figure should be published *later in* the summer when the company's results for the year to *March 31 appear. Mr Gee said* he thought any offer pitched below asset value would be rejected.

Peter Gee, Stead's managing director: not looking to sell

In spite of the platform of shares built up by Clayform during last year's bid, the property group *only won* acceptances from holders of 1.83 per cent of Stead's ordinary shares.

Mr Gee said yesterday he was more confident than last year that ordinary shareholders, many of whom are private investors, would rally round to defend the group against an unwanted bid.

Stead also has a large class of non-voting 'A' shares. Clayform received acceptances last year representing 35.2 per cent of the non-voting equity.

Stead's 'A' shares closed up 7p at 151p yesterday, and the ordinary shares rose 50p to £18 – valuing the whole company at £114m. Clayform's shares dropped 5p to 314p.

Food scares crop Carr's Milling to £760,000

CONTINUED OVERSUPPLY in the chicken meat and egg market, allied to food scares resulted in interim pre-tax profits at Carr's *Milling* Industries falling 23 per cent from £990,000 to £760,000.

Turnover in the six months to March 4 increased to £46.14m (£40.97m). Earnings per share fell from 11.1p to 8.6p but *the interim dividend* has been maintained at 1.75p.

Directors said that the flour mill and bakery continued to prosper during the period as did the engineering companies. The agricultural companies made *a* good contribution despite intense competition and the mild winter weather affecting demand for cattle feed.

In the present six months the company continued to trade satisfactorily, apart from chicken meat and eggs, directors said. However they saw signs of recovery but they still expected that *the conditions in* the UK chicken industry would have a significant adverse effect on profits in the second half.

Ocean Wilsons improves to £8.02m

Ocean Wilsons (Holdings), which has a portfolio of UK investments and owns a tug operator in *Brazil*, announced a rise in pre-tax profits from £7.55m to £8.02m for 1988.

The company said it had adopted the practice of using the mean of opening and closing rates of exchange in translating the Brazilian account into sterling. Some £7.68m of profits this time came from the Brazilian operations compared with £6.99m.

A final dividend of 2p is proposed for an unchanged 2.5p total. Earnings per 20p share, excluding non-remitted earnings, worked through at 2.68p (2.65p). Turnover fell to £46.49m (£59.78m) and net asset value stood at 54.91p (55.25p) at the year end, comprising UK 27.1p (27.47p) and Brazil 27.81p (27.78p).

Dominion sells property arm

By John Thornhill

DOMINION INTERNATIONAL Group, the financial services, property, and natural resources company, is selling *Guardian Investment Holdings*, its Hong Kong-based property management subsidiary, for £6.8m.

The buyer is Southwest Resources, the USM-quoted oil and gas company in which *Dominion has a 19.6 per cent* stake.

Southwest will pay for Guardian by issuing 85m new shares at 8p apiece. The company is also planning a five-for-two rights issue of 130.23m shares, also at 8p, to raise *£9.7m.*

Dominion has agreed to take up *its* full entitlement of 25.5m shares under the issue and to underwrite a further 24.5m shares.

With the shares gained from *the disposal of* Guardian, Dominion may end up with a maximum of 145.2m shares, representing about 53.69 per cent of Southwest's enlarged share capital.

The Takeover Panel has agreed to waive the obligation to make a general offer in these circumstances, as would be the normal practice under Rule 9 of its code.

Dominion has, in the past two years, reduced its holding in Southwest from 59 per cent to 19.6 per cent and Mr Max Lewinsohn, deputy chairman of Dominion and chairman of Southwest, indicated that it *would still be Dominion's* long-term intention to reduce its exposure in the oil and gas industry and to dispose of its interest in Southwest.

Southwest, which incurred a loss of £389,000 for the six *months to September 30 1988,* will use the new equity capital to reduce its debt. It is also hoped that Guardian will provide a steady flow of income.

Cyril Stein payments doubled

Total payments to Mr Cyril Stein, chairman and chief executive of Ladbroke Group, more than doubled to £601,000 in 1989. In the previous year, he was paid £281,000 by the hotels, betting, property and retail group.

In Ladbroke's annual report, published yesterday, Mr Stein said all businesses were trading well and that another good year was in prospect in 1989. Last year, the company *increased pre-tax profits* by 57 per cent to £252.3m.

Net assets at Witan rise to 168.9p

Witan *Investment* Company reported net asset value, taking prior charges at par and assuming full subscription of warrants, of 168.9p per share at April 30, against 140p a year earlier. Per warrants it was 92.4p (63.5p).

Net profits for the year to end-April came out at £11.31m (£9.75m).

The directors recommend a final dividend of 1.825p for a total for the year of 3.125p, up from 2.5p last time.

COMPANY NEWS IN BRIEF

APV: Chairman told shareholders at agm that the company expects to have another good year in 1989, *though profits would be more* heavily weighted towards the second half than in previous years as a result of the timing of the printing machinery businesses sale and the receipt of the disposal proceeds.

BEAR BRAND: *Recent rights* issue taken up in respect of 51.98m shares (89.42 per cent). Balance of 6.15m shares sold in market.

BOWTHORPE HOLDINGS: At the annual meeting Mr RA Parsons, executive chairman, told shareholders that in the first four months of the year the *order* intake, sales and profit before tax were marginally higher than for the corresponding period of 1988, but it would appear that higher interest rates were having the effect the Chancellor predicted. *However, he said that overall the* group was on courseto achieve its targets.

BRITISH DREDGING: Mr Fane Vernon, chairman, told annual meeting that trading conditions remained buoyant. He *added that there* were strong indications that the market value of some of the group's properties was substantially in excess of net book value and a revaluation would take place.

BTP has acquired R and D Latex Corporation for £3.4m cash and a further profit-related payment of up to £710,000.

W CANNING : Chairman told *agm that group sales were currently* running in excess of £100m per year and Gamlen, which joined the group in January 1989, was performing to expectations. It was board's intention to reduce the disparity between interim and final dividends. Accordingly, the interim for 1989 will represent about 40 per cent of the total expected dividend for 1989.

EVODE GROUP now owns or has received acceptances for 23.13m (61.6 per cent) of Chamberlain Phipps ordinary shares *and 110,862 (44.3 per cent) of* the company's preference capital.

HEWDEN-STUART: Sir Matthew Goodwin, chairman, told annual meeting that trading since the start of the year had *been maintained at a high* level, with profits running in excess of the same period last year.

IMI: Sir Robert Clark, retiring chairman, told shareholders at agm that all five divisions had a good first quarter and while he thought 1989 might be harder than 1988, he was confident that the company would achieve further reasonable growth. Sir Robert is succeeded as chairman by Sir Eric Pountain, the executive chairman of Tarmac.

IMPERIAL CHEMICAL Industries is buying the remaining 50 per cent of Nurel SA, a Spanish fibre producer, subject to Spanish government approval. The value of the assets being acquired is less than 1 per cent of ICI's assets.

LAPORTE INDUSTRIES (Holdings): Mr Roger Bexon, chairman, told annual meeting that growth was set to continue in current year. With expection of peroxygens, core businesses *performed extremely well and* overall produced an increase in pre-tax profits of almost 30 per cent. Group operations across a variety of chemical activities worldwide provided the benefit of making group less vulnerable to effects of specific economic events, he added.

NOTICES

to the holders of the outstanding
FF 495,000,000 5% Equity Notes Due 2003 of
Yves Saint Laurent S.A.
and to the holders of the Warrants of
Yves Saint Laurent Parfums S.A.
to subscribe ordinary shares of
Yves Saint Laurent S.A.

These notices are published in connection with proposals made by Compagnie Financière Saint Laurent S.A. ("CFSL"), Yves Saint Laurent S.A. ("YSL") and Yves Saint Laurent Parfums S.A. ("YSLP") to amend the terms of the above Notes and Warrants in the context of the restructuring of CFSL and its subsidiaries and the proposed listing of CFSL shares on the Second Marché of the Paris Stock Exchange in the first half of July 1989. Full details of the restructuring and the proposals are contained in an Explanatory Memorandum dated 19th May, 1989 copies of which (together with related voting instruction forms) may be obtained from Cedel and Euro-clear or any of the Paying or Warrant Agents listed below.

Meetings of Noteholders and Warrantholders will be held on 12th June, 1989 and, if a quorum is not then present, adjourned meetings will be held on 29th June, 1989, at which Extraordinary Resolutions will be proposed to sanction the proposals. The proposals are conditional upon a number of matters as set out in detail in the Explanatory Memorandum. Neither Extraordinary Resolution is, however, conditional on the other Extraordinary Resolution being passed. If passed, the Extraordinary Resolution of Noteholders will be binding on all Noteholders and all holders of Coupons relating to the Notes and the Extraordinary *Resolution of Warrantholders will be binding on all Warrantholders,* in each case whether or not present at the relevant meeting or voting on the relevant Resolution.

The Notes

The proposed amendments to the terms of the Notes are as follows:—

(i) to replace YSL's obligation to deliver YSL shares with an obligation to deliver CFSL shares (CFSL having been converted into a *société en commandite par actions* ("CFSL S.C.A.") before the amendments take effect). 1.428 CFSL S.C.A. shares (as opposed to 3.57 YSL shares) will initially be delivered for each FF 1,000 principal amount of Notes. It is therefore proposed to replace YSL's undertaking to use its best endeavours to procure a listing for its shares on the Second Marché of the Paris Stock Exchange as soon as practicable and in any event not later than 15th November, 1993 with an undertaking of CFSL S.C.A. to use its best endeavours to procure such a listing for its shares as soon as practicable and in any event not later than 31st December, 1990;

(ii) to offer Noteholders an additional "put" option to require repayment of Notes in cash at 109% of their nominal amount on 26th July, 1989 (such option being exercisable between 3rd July and 17th July, 1989).

The Warrants

It is proposed to exchange the above Warrants on 28th July, 1989 for Bons de Souscription of CFSL S.C.A. giving the right to subscribe CFSL S.C.A. shares (the "Bons") or alternatively to arrange the repurchase of the Warrants at FF 120 per Warrant. Further details are set out in the Explanatory Memorandum. A summary of the principal features of the Bons is as follows:—

Entitlement: 1 Bon will be issued for each Warrant giving an entitlement to subscribe for CFSL S.C.A. shares at the rate of 2 shares for every 3 Bons (subject to adjustment).

Exercise Period: From 1st January, 1991 (or, if earlier, from the date of listing of the CFSL S.C.A. shares) to 28th July, 1994.

Subscription Price of CFSL S.C.A. Shares on Exercise: If the shares are listed before 31st December, 1990, the lower of 90% of the public offer price and 90% of the opening price on first listing. If such listing is not obtained by then the subscription price will be FF 630. The subscription price may not be lower than the nominal value of the shares.

Entitlement Adjustments: Provisions comparable to those in the Warrants will apply to the adjustment of the number of shares to be delivered on exercise of Bons.

Listing: It is intended that the Bons will be admitted to the Second Marché of the Paris Stock Exchange as soon as practicable after the listing of the CFSL S.C.A. shares.

NOTICE OF NOTEHOLDERS' MEETING

Notice is hereby given to the holders (the "Noteholders") of the outstanding FF 495,000,000 5% Equity Notes Due 2003 (the "Notes") of Yves Saint Laurent S.A. ("YSL") which are constituted by the Trust Deed referred to below that a Meeting of the Noteholders will be held at the offices of BNP Securities Limited, 8-13 King William Street, London EC4N 7EX on 12th June 1989 at 11 a.m. (London time) for the purpose of considering and, if thought fit, passing the following Extraordinary Resolution:

"That this Meeting of the holders of the outstanding FF 495,000,000 5% Equity Notes Due 2003 (the "Notes") of Yves Saint Laurent S.A. ("YSL") constituted by the Trust Deed dated 20th November, 1987 as amended by a supplemental trust deed dated 14th November, 1988 (together the "Trust Deed") made between YSL and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the holders of the Notes (the "Noteholders") hereby:—

(1) assents (subject to the conditions contained in the Explanatory Memorandum dated 19th May, 1989, a copy of which has been signed for identification by the Chairman of the Meeting) to the modification of the Terms and Conditions of the Notes as printed on the reverse of them and in Schedule 1 to the Trust Deed and to the provisions of the Trust Deed as set out in the draft Supplemental Trust Deed produced to this Meeting (a copy of which has been signed for identification by the Chairman of the Meeting);

(2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Noteholders and the holders of the coupons relating to the Notes against YSL involved in or resulting from the modifications referred to in paragraph 1 of this Resolution; and

(3) authorises and requests the Trustee to concur in the modifications referred to in paragraph 1 of this Resolution and, in order to give effect to them, forthwith to execute a Supplemental Trust Deed in the form of the said draft produced to this Meeting with such amendments (if any) to it as the Trustee shall require."

The attention of Noteholders is particularly drawn to the quorum requirements set out in "Voting and Quorum" below.

Copies of the Trust Deed (including the Terms and Conditions of the Notes) and the Supplemental Trust Deed referred to above are available for inspection at the offices of the Paying Agents specified below. In accordance with normal practice the Trustee expresses no opinion on the merits of the proposed modifications but has authorised it to be stated that it has no objection to the Extraordinary Resolution being submitted to the Noteholders for their consideration.

Voting and Quorum

1. A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Note(s), or a valid voting certificate or valid voting certificates issued by a Paying Agent relating to the Note(s) in respect of which he wishes to vote.

A Noteholder not wishing to attend and vote at the Meeting in person may either deliver his Note(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give voting instructions (on a voting instruction form obtainable from the offices of the Paying Agents specified below) instructing a Paying Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions. Notes may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by Cedel or Euro-clear or any other person approved by it, not later than 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjournment of such Meeting), for the purposes of obtaining voting certificates or giving voting instructions in respect of the Meeting. Notes so deposited or held will not be released until the *first* to occur of the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting *certificate(s)* or, not less than 48 hours before the time for which the Meeting (or, if applicable, any adjournment of such Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.

2. The quorum required at the Meeting is two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in aggregate not less than two-thirds in principal amount of the Notes for the time being outstanding (as defined in the Trust Deed). If within 30 minutes from the time appointed for the Meeting a quorum is not present the Meeting shall stand adjourned to the same time and place on 29th June, 1989. At such adjourned Meeting the quorum shall be two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one-third in principal amount of the Notes for the time being outstanding.

3. Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting or by one or more persons holding one or more Notes or voting certificates or being proxies and holding or representing in the aggregate not less than two per cent. in principal amount of the Notes then outstanding. On a show of hands every person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each FF 1,000 principal amount of Notes so produced or represented by the voting certificates so produced or in respect of which he is a proxy.

4. To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Noteholders, whether or not present at such Meeting, and upon all the holders of the Coupons appertaining to the Notes.

Yves Saint Laurent S.A. 19th May, 1989

NOTICE OF WARRANTHOLDERS' MEETING

Notice is hereby given to the holders of the Warrants (the "Warrants") to subscribe Ordinary Shares of Yves Saint Laurent S.A. ("YSL") issued by Yves Saint Laurent Parfums S.A. ("YSLP") and constituted by the instrument referred to below that a Meeting of the holders of such Warrants will be held at the offices of BNP Securities Limited, 8-13 King William Street, London EC4N 7EX on 12th June, 1989 at 11 a.m. (London time) (or as soon thereafter as the Meeting of Noteholders referred to above has been completed or adjourned) for the purpose of considering and, if thought fit, passing the following Extraordinary Resolution:

"That this Meeting of the holders of the Warrants (the "Warrants") to subscribe Ordinary Shares of Yves Saint Laurent S.A. ("YSL") issued by Yves Saint Laurent Parfums S.A. ("YSLP") and constituted by instrument by way of deed poll dated 29th December, 1986 entered into by YSLP and YSL as amended by supplemental instruments by way of deed poll dated 28th October, 1987 and 14th November, 1988 (together the "Instrument") hereby:—

(1) sanctions the exchange *of all of the Warrants for Bons de Souscription d' Actions of Compagnie Financière Saint Laurent S.C.A.* upon and subject to the terms of the exchange proposal set out in the Explanatory Memorandum dated 19th May, 1989 and assents to the implementation of such proposal in accordance with those terms;

(2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Warrantholders against YSLP and YSL involved in or resulting from such proposal; and

(3) approves the execution by YSLP and YSL of the Third Supplemental Instrument in the form of the draft produced to this Meeting and signed for identification by the Chairman of the Meeting."

The attention of Warrantholders is particularly drawn to the quorum requirements set out in "Voting and Quorum" below.

Copies of the Instrument (including the Terms and Conditions of the Warrants) and the draft Third Supplemental Instrument referred to above are available for inspection at the offices of the Warrant Agents specified below.

Voting and Quorum

1. A Warrantholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Warrant(s) or a valid voting certificate or valid voting certificates issued by a Warrant Agent relating to *the* Warrant(s) in respect of which he wishes to vote.

A Warrantholder not wishing to attend and vote at the Meeting in person may either deliver his Warrant(s), or a valid voting certificate(s) to the person whom he wishes to attend on his behalf or give voting instructions (on a voting instruction form available from the offices of the Warrant Agents specified below) instructing a Warrant Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions. Warrants may be deposited with any Warrant Agent or (to the satisfaction of such Warrant Agent) held to its order or under its control by Cedel or Euro-clear or any other person approved by it, not later than *48 hours before the time appointed for holding the Meeting (or, if applicable, any adjournment of such Meeting), for the purpose of obtaining voting certificates or giving voting instructions in respect of the* Meeting. Warrants so deposited or held will not be released until the first to occur of the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting certificate(s) or, not less than 48 hours before the time for which the Meeting (or, if applicable, any adjournment of such Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.

2. The quorum required at the Meeting is two or more persons holding Warrants or voting certificates or being proxies and holding or representing in the aggregate not less than 75 per cent. of such Warrants for the time being remaining unexercised. If within half an hour from the time appointed for the Meeting a quorum is not present the Meeting shall stand adjourned to the same time and place on 29th June, 1989. At such adjourned Meeting the quorum shall be two or more persons present holding Warrants or voting certificates or being proxies and holding or representing in the aggregate over 50 per cent. of such Warrants so held or represented.

3. Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting or by one or more persons holding one or more Warrants or voting certificates or being proxies and holding or representing in the aggregate not less than two per cent. of the Warrants then remaining unexercised. On a show of hands every person who is present and produces a Warrant or voting certificate or is a proxy *shall have one vote. On a poll* every person who is present shall have one vote in respect of each Warrant so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

4. To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than 75 per cent. of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Warrantholders, whether or not present at such Meeting.

Yves Saint Laurent Parfums S.A. — *Yves Saint Laurent S.A.* — *19th May, 1989*

Paying and Warrant Agents
Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2HE.
Banque Internationale à Luxembourg S.A., 2 Boulevard Royal, L-2953 Luxembourg.
Crédit Suisse, Paradeplatz 8, CH-8021 Zurich.

YSL is a *société anonyme* incorporated under French law on 15th September, 1981, expiring, unless extended, on 15th September, 2080. Registered office: 5 Avenue Marceau, 75116 Paris. Share capital: FF 909,442,300. RCS number: Paris B 322 579 301. YSLP is a *société anonyme* incorporated under French law on 30th May, 1984, expiring, unless extended, on 30th May, 2083. Registered office: 28-34 Boulevard du Parc, 92521 Neuilly-sur-Seine. Share capital: FF 1,360,992,800. RCS number: Nanterre B 329 746 945. This notice has been approved by an authorised person for the purposes of the Financial Services Act 1986 of the United Kingdom.

هكذا من الأصل

Property sale helps Lep advance 67% to £18.5m

By Clare Pearson

LEP GROUP, the freight forwarding, transport, security, property and medical equipment company, raised pre-tax profits by 67 per cent from £11.1m to £18.48m in 1988.

The advance was made on turnover 17 per cent ahead at £1.1bn (£938.86m). Earnings per share rose from 7.4p to 11.5p and a final dividend of 3.3p (2.7p) has been proposed to make a total of 4.75p (3.9p).

The results incorporated those of National Guardian Corporation, the US security business, as a wholly-owned subsidiary from the end of September. Before this it was an associate.

Taken above the line was a £8.73m profit from the sale of Lep House in the City of London to an associated company. However, this was offset by £7.04m of reorganisation costs in the French and US freight forwarding businesses, to produce a £1.7m (nil) exceptional credit.

International freight forwarding, the biggest chunk of the business, was described as achieving excellent results in the UK, Canada, the Far East and Europe, where new operations in Sweden and Spain have been added since the year-end. In the US, the merging of Lep International and Profit Systems, where a majority holding was acquired in 1987, was completed.

Swift Transport Services, the UK specialist physical distribution concern, had another successful year despite increased competition.

The major event of the year in the property division was the completion and sale of Lep House, which has been rented by Swiss Bank Corporation International. Negotiations concerning a rent review continue but Mr John Leach, managing director, said he thought the building was worth at least £120m.

He said a "useful contribution" to this year's profits should be made by Prem, a new blood analysis machine launched by Lep Scientific, which uses a form of genetic fingerprinting to detect the Aids virus in blood samples. Olympic-Chevin, the bearings and power transmission parts company, had a successful year.

● COMMENT

There was some quibbling yesterday about the decision to take the very large property profit above the line, but otherwise these figures left followers of Lep, which has had its problems in the past, well satisfied. There is plenty of scope for the company, which should make about £31m pre-tax this year, to expand in the still fragmented US security systems business – although Lep will not be buying Holmes Protection Group, the London-listed company which has put itself up for sale, Mr Leach emphasised yesterday; and there is still work to be done on the freight forwarding side. Prem, meanwhile, shows that the medical equipment division, which sits slightly oddly with the rest of the group, can produce successful products; property interests provide good asset-backing. However, this rather complicated company is frequently overlooked by the market so the shares seem about right on a prospective p/e of 11.5.

Priest Marians surges to £13.6m

By David Waller

PRIEST MARIANS, the West End property company which last year took over Local London group, yesterday reported a surge in pre-tax profits from £3m to £13.59m for the six months to March 31.

The figure was swollen by the sale of the group's freehold interest in 48 Leicester Square, the profit on which was booked to the operating line. Net income from investment properties rose from £1.65m to £3.19m.

The company said that the new rents for the Langham estate in London's West End showed "satisfactory" rates of growth. The figures included no contribution from Local London although the company has sold 43 properties for £31.25m since the bid went unconditional in April.

In line with the company's normal practice at the interim stage, there is no dividend, although the board hopes to recommend a higher payout at the year end.

● COMMENT

Interim figures from a property company such as Priest Marians are something of an irrelevance: of much more importance than a profits advance is the value of the asset portfolio. Of this, there was no clue yesterday and investors took the view that it would only be possible to come to a clear picture on this in the autumn when the annual report is published. Analysts' estimates of the asset value per share range from 600p-700p, without any contribution from the £77.7m Local London acquisition. The shares, down 1p to 454p yesterday, are at a very substantial discount should those estimates turn out to be accurate and/or dealings in the Local London portfolio turn in a large asset gain. But the discount is understandable given the City's poor state of knowledge about the company.

Williams sells AEC in $40m management deal

By Clay Harris

AMERICAN ELECTRONIC Components, a USM-quoted company until its takeover by Burgess Group in June 1987, has regained its independence and is turning its sights to the stock market.

Williams Holdings, the industrial conglomerate which was AEC's third owner in less than two years, sold it yesterday for $40m (£24.1m) to a management-led company.

Williams had acquired AEC last year as part of Pilgrim House Group, the product of an earlier merger between Burgess and RHP.

AEC, based in Elkhart, Indiana, makes electrical switches and relays, primarily for the motor vehicle industry. The buy-out is 29 per cent owned by AEC's management, with the rest held by institutional investors led by MIM.

MIM was the largest shareholder in the original AEC, injecting it into American Oilfield Systems in 1985. Mr Christopher Mills of MIM, who was on the old AEC board and is a director of the buy-out vehicle, said a return to the USM was planned within two years.

The company is being bought back at less than half the price paid by Burgess. Management has put up $3m to take a 29 per cent equity stake.

MIM is once again the largest shareholder, joined by two UK institutions and Chicago-based Baker Fentress.

In the 15 months to September 30 1988, AEC made profits of $4.8m, before tax, interest and exceptional items, on turnover of $48m. Mr Mills said, however, that AEC expected to make pre-tax profits of $6m in 1989 and had sufficient tax losses to shelter $28m of future profits.

Williams' disposal of AEC follows the last month's £22.4m sale of four of Pilgrim's UK-based specialist engineering companies to B Elliott.

Williams intends to sell all of Pilgrim except the fire detection and suppression businesses and microswitch manufacture.

Woodchester Invs in European joint venture

By Andrew Hill

Two subsidiaries of British & Commonwealth Holdings – 62 per cent-owned Woodchester Investments and wholly-owned Atlantic Computers – are to set up a leasing and finance operation in Europe.

Woodchester, a Dublin-based leasing and finance company, revealed its intention of expanding in Europe when it announced a 73 per cent increase in 1988 pre-tax profits two months ago.

Mr Craig McKinney, Woodchester's chairman, said: "This is the first major synergistic benefit that we have had from our B&C relationship. It does demonstrate that Woodchester and B&C are drawing closer."

The joint venture, Woodchester International, would enable the Irish company to use Atlantic's European network of offices for "small ticket" leasing of items such as cars and office equipment. It is hoped that it would achieve annualised turnover of between I£200m (£167m) and I£250m by end-1989.

Steering Reliant away from a breakdown

John Griffiths on the two men who are shaking up the three-wheeler manufacturer

HEADLINES SCREAMING "Hundreds of jobs face axe" sprouted in the Midlands press last month when it was disclosed that property developers Mr Christopher Johnson and Mr Carl Turpin were parking themselves at Reliant Group, the Staffordshire-based sports car and three-wheeler maker, via a reverse takeover.

On the face of it, the supposition that Reliant's dwindling workforce, now numbered at 420, could be on the way to the sacrificial altar of asset-stripping is not unreasonable.

Reliant needs for its mainstream industrial activities only about five of the 30-plus acres of land it still holds in and around Tamworth, Staffordshire.

Production of the Rialto, the plastic-bodied three-wheeled car formerly called the Robin, has slumped to 2,000 a year from 15,000. The Scimitar S1 sports car, which was supposed to return the company to riches when it was launched in the mid-1980s with projected production levels of 3,000-plus a year, is a styling and sales disaster. Only 200 were built last year.

On the not infrequent occasions when Reliant has run into financial difficulties in the past, one of its first resorts has been to sell off more land – it once had more than 100 acres. The company did slightly better than break even last year, after two successive years of losses.

But against such a dismal background, a final, ignominious chapter of Reliant's 50-year history – involving dismantling the manufacturing capability and using the company's sites for commercial or residential development – appeared not at all unlikely to locals.

Mr Johnson, a 41-year-old solicitor, and accountant Mr Turpin, 37, started building houses as a sideline. They control the Wiseoak and Belmont Homes property companies acquired by Reliant.

The two men emphatically deny the asset-stripping charge. "We were absolutely bloody furious when the stories appeared," Mr Turpin said. "We are in this to become a broadly-based industrial as well as property group. There will be no jobs going at Reliant. And if you don't believe us, you're not going to have too long to wait for further proof that we're serious."

He was speaking immediately after shareholders in USM-quoted Reliant formally approved the reverse takeover, in which the car company is paying £16.5m for Wiseoak and Belmont by issuing 41.25m new Reliant shares to the vendors, nearly five times the number of existing shares.

While neither the two partners nor Laird Group are prepared to provide formal confirmation, the "proof" is expected to take the form of Reliant's purchase from the Laird Group of its Birmingham-based Metrocab taxi-making operations.

The Metrocab, the first significant rival to the FX4 black taxi produced by Carbodies of Coventry, owned by Manganese Bronze Holdings, is produced by Laird's Metro-Cammell Weymann subsidiary. Along with Laird's other transport interests, it has been up for sale since late last year.

The enlarged Reliant group is understood to be the firm front runner in the purchase stakes, with a strong probability that a deal will be announced over the next few weeks.

The logic behind such a deal is fairly compelling. A Reliant subsidiary already produces the taxi's complete plastic com-

The Reliant Scimitar SS1 sports car

posite body for MCW. Fabricating the steel chassis and assembling the taxi would provide extra throughput for Reliant's existing vehicle manufacturing activities.

With the total annual "black taxi" market in the UK currently at between 3,000 and 4,000 units a year, Reliant is understood to believe that at least 1,000 Metrocabs a year could be sold in the near future.

However, unlike its FX4 rival, the taxi also lends itself to frequent major redesigns because of the low tooling costs for plastic parts. And with previously unavailable taxi features like air conditioning potentially on offer, the thinking appears to be that a much larger slice of Carbodies' traditional business might eventually be captured.

Mr Johnson and Mr Turpin make clear that Metrocab would be only the first of a number of acquisitions of engineering and other industrial companies. "Our target is to be capitalised at £100m in three years' time," insists Mr Johnson. The pair concede that increasing affluence means that the three-wheeler market is probably slipping towards extinction, although the Rialto will remain viable as long as production stays above 1,000 units a year, according to Mr Turpin.

They are more optimistic about the Scimitar S1. A complete restyling and re-engineering of this ugly duckling is being undertaken at the expense of Universal Motors, a New York-based importer and distributor of specialist cars.

Universal has acquired the rights and licences to the car and will take at least 2,000 units a year of the restyled S2 model off the Tamworth production lines for sale in the US. The heavily revised car, a styling prototype of which was displayed at last year's UK motor show, is to be fitted with a 3-litre General Motors engine for North America.

Reliant, in turn, is receiving a licence from Universal to make and market the vehicle throughout Europe. Mr Turpin and Mr Johnson insist that there should be virtually no additional cost to produce the European version, while the S2 will help to fill out the capacity originally installed for the S1.

All current and envisaged manufacturing activities are to be concentrated on one 11-acre site, ending what Mr Johnson openly derides as "ridiculous" operating practices.

Rialto bodies, for example, for years have been moulded at the Kettlebrook site, taken to Two Gates for assembly, back to Kettlebrook for detail work, then once again to Two Gates for storage. "They've covered 12 miles before they're even finished," observes Mr Turpin.

The pair intend to build further on the company's plastics expertise by expanding both contracted business – Reliant makes Transit van roofs for Ford, for example – and developing "in-house" products, not necessarily automotive-related.

The plastics subsidiary currently turns over £3m a year and "we believe we can double that in the next couple of years", says Mr Johnson. This may be achieved in part by buying complementary businesses.

They say they believe a sharp improvement in the company's financial performance can be fairly easily achieved by applying some of the managerial disciplines applied at the property businesses. For example, 80 of Reliant's 420 workforce are in administration. Some of Reliant's property assets are also claimed to be "seriously" undervalued.

Wiseoak's reversal into Reliant came less than a year after the former was spurned by another quoted company. For 17 months in 1987 and 1988, Wiseoak was associated with Nash Industries, the Midlands-based engineering, construction and packaging group which raised its stake to 30 per cent by last summer.

However, Mr John Nash, owner of a 30 per cent stake in Nash Industries, was unable to convince other shareholders to back his plan to buy the other 70 per cent of Wiseoak, and the original shareholding was sold at a profit last October. Mr Nash was also the controlling shareholder of Reliant until the reverse takeover.

COMMODITIES AND AGRICULTURE

Lords refers Spanish fish case to European Court

By Tim Dickson in Brussels

THE FUTURE was looking bleak last night for the Spanish owners of 95 deep sea fishing vessels after the House of Lords decided to refer their plea to be allowed to continue operating as British boats to the European Court of Justice in Luxembourg.

The controversial case has centred on the fishermen's fight to overturn UK legislation designed to outlaw "quota hopping" – the practice by mainly Spanish vessels of registering as British boats in order to qualify for the UK's annual catch quotas, distributed under the EC's Common Fisheries Policy.

According to evidence presented by the boat owners at an earlier hearing they are now likely to suffer "irreparable damage," through being barred by the new British law while *the Luxembourg court makes* up its mind, and prevented under separate rules from re-registering their vessels under the Spanish flag.

Reflecting the potentially adverse financial consequences of what he called "a most unsatisfactory result from the appellants' point of view," Lord Bridge of Harwich concluded his judgement with "the hope that the European Court of Justice will, so far as the procedures permit, treat the reference made. . . as one of urgency to which priority can be given." Such references can in extreme circumstances take up to two years to complete.

The issues behind yesterday's eagerly awaited verdict go far beyond the livelihood of a few Iberian fishermen. They touch on matters of fundamental importance for the the operation of the CFP, raise significant questions about the primacy of European over national law, and arguably go right to the heart of the sensitive political subject of British sovereignty.

Moreover, while there will be relief in Whitehall that the Spanish fishermen's private case has been temporarily "kicked into touch," the Government is well aware that it faces a separate and potentially more dangerous legal *attack from the European* Commission.

Quota hopping has been a nagging problem for the last two to three years – inspiring the odd heated exchange between member states in Council of Ministers meetings in Brussels – but the present legal and political battle is rooted in the 1988 UK Merchant Shipping Act, notably the clauses which say that any fishing vessel on the newly created fishing vessel register which came into effect on April 1 should be at least 75 per cent British owned. According to the British "line" the flag of a ship is essentially concerned with the nationality of a vessel – just as every member state is free to decide who are its own citizens and who should be allowed to carry its own passport.

Moreover, say the British, *almost all other EC countries* have similar restrictions on ownership which in any case is justifiable given the objectives of the CFP.

According to the Commission, however, the new Act contravenes four articles of the EC's founding charter the Treaty of Rome – among them the right to free establishment throughout the Community – and last week the UK found *itself in a new legal net when* the 17 Commissioners decided to send out a "reasoned opinion" setting out their case and calling for immediate changes in the British law. If as seems almost certain, London refuses to comply with the order the Commission will start formal legal proceedings in the European Court.

The case brought by the Spanish fishermen in the *British courts, meanwhile, has* been running concurrently with developments in Brussels but should be seen as a quite separate part of the story.

The application was first made in the Divisional court, which in a judgement deliv*ered in March decided to* request a preliminary ruling from the European Court on the "substantive questions" of Community law. To the dismay of the Government, however, the judge granted a separate application for "interim relief," saying that the "offending" clauses of the Merchant Shipping Act should not be applied to the 95 Spanish vessels "pending" the verdict of the Luxembourg Court. That ruling, however, was overturned on appeal.

In yesterday's judgement from the House of Lords – on an appeal against the appeal – Lord Bridge commented that granting an order for interim relief "would irreversibly determine in the appellants' favour for a period of some two years rights which are necessarily uncertain until the preliminary ruling of the Euro*pean Court of Justice has been* given.

"If the appellants fail to establish the rights they claim before the ECJ, the effect of the interim relief granted would be to have conferred upon them rights directly contrary to Parliament's sovereign will and correspondingly to have deprived British fishing vessels, as defined by Parliament, of the enjoyment of a *substantial proportion of the* UK's quota of stocks of fish protected by the Common Fisheries Policy.

"I am clearly of the opinion that, as a matter of English law, the court has no power to make an order which has these consequences".

After examining EC law he says that it "embodies a principle of English law that delegated legislation must be pre*sumed to be valid unless and* until declared invalid."

Platinum promotion effort urged

By Kenneth Gooding, Mining Correspondent

PROPER PROMOTION of platinum could add 2m troy ounces to annual demand – 3.66m ounces last year – according to Mr Stephen Ellis, chairman of Impala Platinum Holdings, a subsidiary of the General Mining Union Corporation group of South Africa.

At the annual platinum dinner in London he pointed to four areas of potential growth:

- *Automotive catalysts* – If US-style emission controls for cars were applied worldwide, the use of platinum in catalysts could double to 2.5m ounces a year;
- Platinum fuel cells – If in 20 years time only 10 megawatts of electricity per 1m people in the industrialised world were generated by these cells, 800,000 ounces of platinum would be required;
- Jewellery – More effective promotion of platinum jewellery could add another 100,000 ounces to annual demand in five years time and double that level ten years from now;
- Investment – If platinum *made the same progress as in* the past five years, 400,000 ounces a year would be added to demand in five years time.

Mr Ellis said expected increases in platinum output could add several hundred thousand ounces to annual production and this has raised some fears about oversupply of the metal during the 1990s.

However, "I firmly believe that supply and demand for *these (platinum group) metals* will tend to achieve a balance in the long term," he said.

- Platinum crashed through the psychologically-important level of $500 an ounce yesterday, dropping to $491 at one point before bouncing back to close at $499 an ounce, down $7 on the day. Ms Rhona O'Connell, analyst at Shearson Lehman Hutton, said: "Platinum is horrendously over-sold. *It is a screaming buy at these* levels."

US cattlemen suffer in drought

By Deborah Hargreaves in Chicago

ALTHOUGH THE summer sun has to show its scorching face in most of the US, continued dry weather is burning a hole in the pockets of some of the nation's cattlemen as they struggle with pastures even drier than last year.

Pasture conditions for the whole of the US are rated their worst since the Dust Bowl of *the 1930s, after an unusually* dry winter in the heartland. Pasture in general was providing only 68 per cent of the feed of a normal year – the Dust Bowl figure was 66 per cent – at the beginning of May.

The dry weather, which has affected the key winter wheat crop in Kansas, has led to a large increase in cow slaughtering. The slaughter rate in core states such as Kansas, Iowa, Nebraska and Missouri was 50 per cent higher in April than it was in the same month last year, as the desiccated grazing land offered only half as much feed as last year.

"We won't be able to raise as many calves on grass, and hay stocks are lower so there's no forage for them either," says Mr Tom Morgan, president of commodity analysis firm, Sterling Research. Farmers' stocks of hay are 64 per cent of their 1988 level, when supplies were severely depleted in the last drought.

However, the dry conditions are more isolated than they were in last summer's drought. "Some of the areas affected most by drought last year have *had some good* rains and they're beginning to re-stock," explains Mr Chuck Lambert at the National Cattlemen's Association, "what we're seeing this year is more shifting of cattle across the regions."

Overall, cattle prices are currently fairly strong and retail beef prices are at a record high. But Mr Lambert points to a big bulge in the supply line which will increase slaughter rates and depress prices in June-July. This will represent a glut of cattle moved off pasture because of the dry weather in December-January and fattened in feed lots for slaughter this summer.

The US cattle herd remains at a historically low level at under 100m head, but there is some evidence of rebuilding. Farmers held on to 5 per cent more heifers this year in order to breed from them and boost their herds. The high slaughter rate has not yet reversed this trend, although Mr Lambert is concerned that a repeat of last year's hot summer could discourage re-stocking.

The US Department of Agriculture has estimated that cattle slaughter for the second quarter will be at a record level and 4 per cent above last year's already high rate.

The Department's monthly cattle on feed report which was released on Wednesday, showed a high rate of cattle delivery to feedlots where thay *are fattened for slaughter*. This depressed live cattle futures prices yesterday for October delivery when those cattle will be reaching the market.

Cattlemen and ranchers are usually the first to feel the effects of severe weather conditions and they are starting this summer in urgent need of some beneficial rainfall.

"What concerns us most is that your best growing time for grass is right now," says Mr Morgan, "and if it's dry now, even if you get moisture later, you won't get the same degree of growth."

Feed problems hit Soviet livestock

THE SOVIET Union says poor quality feed, shortages and negligence on farms caused *increased livestock losses in* many areas last winter, Reuter reports from Moscow.

Western analysts said Moscow was generally cutting back on numbers of livestock to try to boost the quality of its herd and was also importing Western genetic technology to do this.

But to improve meat quality and boost milk production, feedstuffs with a higher pro*tein content needed to* be produced, they added.

"If they hope to improve in terms of quality and quantity, they are going to have to improve their feedstuffs," one said.

Problems with bad weather and rain at the end of the harvesting period last year meant many farms started the winter with low supplies of feedstuffs and wet silage, they said.

There was a high slaughter rate in the autumn due to feed problems.

The analysts said that the level of grain imports so far this year and estimates of high soyabean imports for 1989 indicated that ministries were taking steps towards producing better fodder.

Asian coal and gas use to grow

By Maurice Samuelson

POWER STATION coal and natural gas needs for power generation in Asia and the Pacific region are set to grow rapidly for the next ten years as fuel oil use declines, according to a 16-country report published yesterday.

With electricity demand continuing to rise, the report claims coal use in the region's power stations will rise from about 233m tonnes to 600m tonnes by the year 2000.

About 450m tonnes will be *used in China, India and Aus*tralia, relying mostly on their own domestic resources. Most of the remaining 150m tonnes would be imported by the consuming countries.

The report, by the Economist Intelligence Unit, covers China, the Indian subcontinent, South East Asia, Indonesia and Australasia.

This region collectively accounts for 20 per cent of world energy *demand* and 16 per cent of global energy production.

After two decades during which the region's electricity demand has quadrupled, the EIU report expects a further doubling by the end of the century, reaching 3.5 GigaWatt hours, equivalent to 15m barrels of oil a day, but with a significant change in the fuel mix.

This implies a big growth in generating capacity. The report foresees the need for a further 360 GigaWatts. At present the region has 390GW, more than a third of which is in Japan.

In 1987, power generation was 18 per cent dependent on fuel oil, 39 per cent on coal, 17 per cent on hydro-electricity, 15 per cent on nuclear power, and 11 per cent on natural gas.

By 2000, the mix is expected to change to 8 per cent fuel oil, 50 per cent coal, and about 10 per cent natural gas. Hydro-electricity and nuclear power would *remain* unchanged at 17 and 15 per cent respectively.

The region's electricity market would also continue to be affected by the varying growth rates among the different countries.

By the end of the century, the report expects Japan to account for only 26 per cent of its electricity demand, compared with the present 38 per cent and the 50 per cent of a decade ago.

China's demand, which grew from 17 per cent in the late 1970s to 26 per cent in 1987, is expected to reach 31 per cent of the area's total by 2000.

India's share, growing at 10 per cent a year, is expected to increase most dramatically – from 9.5 per cent of the region's total to almost 16 per cent by 2000.

Electricity in Asia and the Pacific: By Fereidun Fesharaki and Hossein Razavi; Economist Intelligence Unit, 40 Duke St, London W1A 1DW; £285 in UK and Europe.

Bumper year for Thai sugar and rice

By Roger Matthews in Bankok

THAILAND'S production and export of sugar is expected to be a record this year with the Soviet Union *emerging* as probably the largest single purchaser.

Latest estimates put the total output of sugar cane this year at 33m tonnes, nearly 3m tonnes higher than in 1982, the best previous year, and over 3m tonnes up on forecasts at the beginning of this year.

The Soviet Union, having been somewhat caught out in 1988 by the poor Cuban crop, appears to be making its purchases earlier this year with up to seven vessels already loading at Bangkok port.

Despite an improved Cuban crop this year, the combination of *perestroika* and the increase in home-brewing is likely to mean the Soviet Union will be looking for an additional 2m tonnes.

The Thai crop is expected to yield about 3.33m tonnes of refined and raw sugar, of which about 840,000 tonnes will will be required for domestic consumption.

This should leave about 2.5m tonnes for export with some traders *suggesting that the* Soviet Union could take 800,000 tonnes or more, which would make it by far Thailand's biggest customer this year.

The Soviet Union did not purchase sugar from Thailand last year when the export market was dominated by China and Japan.

- Thai rice exports are also expected to hit an all-time high this year, in both volume and value. According to the Rice Exporters' Association, total exports should reach 5.3m to 5.8m tonnes, with overseas sales having averaged 500,000 tonnes a month for the past 10 months.

The strength of international demand was reflected in anticipated earnings with Thailand likely to net close to $1.5bn in sales this year, some $400m more than had been forecast a few months ago.

An official of the association warned however that despite the 2m tonnes shipped in the first four months of the year, *some exporters were still facing* serious losses caused by the sharp rise in domestic prices.

Several companies with forward commitments had been badly caught out by the rise in domestic prices and might be forced to renege on contracts.

This has caused some traders to consider asking the Commerce Ministry to reintroduce of the controversial quota sys*tem, but any formal request is* likely to be firmly rebuffed.

Brazil's alcohol crisis sparks emergency measures

By John Barham in Sao Paolo

BRAZIL HAS decreed emergency measures to conserve fuel alcohol. Fuel pumps around the country are run*ning dry as consumption out*strips supply and the Government's alcohol stockpile has been exhausted.

Mr Vicente Fialho, the Energy Minister, says the shortage should end by the beginning of June but producers say supplies will not return to normal for a month. Alcohol distilled from sugar cane powers half the country's cars.

The shortage began to bite at *the beginning of May*, but was expected to be short-lived. Now the crisis appears more intractable than ever, forcing the Government to reduce long term demand for alcohol.

On Tuesday *the minister* said he would order car companies to make further reductions in output of alcohol-powered cars to between 30 per cent and 50 per cent of their total production for the domestic market, to avoid depressing alcohol supplies next year. At present three-quarters of all new cars run on alcohol. Previously, over 90 per cent of new cars had *alcohol-powered engines*.

The ministry forecasts alcohol production next year at 13.3bn litres, 6 per cent above projected consumption of 12.5bn litres.

However, Mr Fialho said he would not reduce government subsidies on alcohol and alcohol-driven cars any further. The Government had to reduce its alcohol subsidy this time last year to ease its budget deficit. It still holds the retail alcohol price 25 per cent below that for petrol.

Subsidies are a cornerstone of the alcohol policy, introduced in 1974 at a cost of *$7bn, to reduce Brazil's heavy* dependence on oil imports.

The Mines and Energy Ministry rejected suggestions that it should reduce the amount of alcohol mixed into petrol as an *anti-knock agent and begin* mixing petrol into alcohol to stretch existing supplies a little further. Rising alcohol consumption has created a 5bn-litre annual surplus of petrol, while output of alcohol has lagged behind demand.

The Sugar and Alcohol Institute (IAA) the government agency that regulates the industry, was not available for comment yesterday on reports from Brasilia that Brazil may have to reduce sugar exports.

WORLD COMMODITIES PRICES

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.80-4.90v	+.025
Brent Blend	$18.05-8.15q	+0.05
W.T.I. (1 pm est)	$20.15-0.20q	+0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$249-252	-8
Gas Oil	$144-146	-1
Heavy Fuel Oil	$87-88	-1
Naphtha	$175-177	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$370½	+¼
Silver (per troy oz)♣	543c	-2
Platinum (per troy oz)	$509.75	-8.50
Palladium (per troy oz)	$154.10	-1.05
Aluminium (free market)	$2375	
Copper (US Producer)	123⅝-129c	-6⅞
Lead (US Producer)	36c	
Nickel (free market)	590c	-25
Tin (European free market)	$10225	+5
Tin (Kuala Lumpur market)	27.10r	-0.20
Tin (New York)	469.25c	-0.25
Zinc (US Prime Western)	85⅜c	-2.5
Cattle (live weight)†	121.28p	+1.88*
Sheep (dead weight)†	267.34p	-2.08*
Pigs (live weight)†	88.85p	+4.64*
London daily sugar (raw)	$306.8u	-4.2
London daily sugar (white)	$354.0u	-1.6
Tate and Lyle export price	*£302.0*	*-0.5*
Barley (English feed)	£104.5w	
Maize (US No. 3 yellow)	£133	
Wheat (US Dark Northern)	£129.75u	+0.75
Rubber (spot)♥	55.50p	
Rubber (Jun)♥	63.50p	
Rubber (Jul)♥	63.50p	
Rubber (KL RSS No 1 Jun)	272m	-2
Coconut oil (Philippines)§	$580u	+5
Palm Oil (Malaysian)§	$400q	
Copra (Philippines)§	$370	
Soyabeans (US)	£199	+1
Cotton "A" index	77.50c	+0.05
Wooltops (64s Super)	615p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Jul. u-Jun/Jul. q-Jun. x-Jun/Sep. w-Aug. z-May/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
May	698	691	700 684
Jul	714	706	716 698
Sep	729	724	731 714
Dec	775	768	777 759
Mar	769	763	773 756
May	778	770	778 763
Jul	790	786	792 780

Turnover:9842 (9017) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for May 17: 907.96 (912.10): 10 day average for May 18: 926.01 (931.63)

COFFEE £/tonne

	Close	Previous	High/Low
May	1465	1450	1420 1315
Jly	1225	1200	1235 1187
Sep	1170	1140	1170 1124
Nov	1135	1095	1135 1090
Jan	1135	1090	1125 1089
Mar	1125	1100	1100 1086
May	1125	1100	1100

Turnover:6055 (8050) lots of 5 tonnes

ICO indicator prices (US cents per pound) for May 17: Comp. daily 116.70 (116.67). 15 day average 115.27 (115.50)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Aug	275.40	277.00	278.60 274.40
Oct	273.40	274.60	277.00 272.60
Dec	272.00	274.20	272.00
Mar	263.20	264.60	265.40 262.80
May	262.00	263.60	263.20 262.80
White	**Close**	**Previous**	**High/Low**
Aug	348.00	347.50	349.00 347.00
Oct	331.50	332.00	333.00 331.00
Dec	328.00	328.00	
Mar	317.50	318.00	317.50 317.00
May	314.50	316.00	
Aug	313.50	315.00	
Oct	312.00	314.00	

Turnover: Raw 2627 (5977) lots of 50 tonnes. White 2232 (1855).

Paris- White (FFr per tonne): Aug 2310, Oct 2200, Dec 2140, Mar 2120, May 2110, Aug 2085.

CRUDE OIL $/barrel

	Close	Previous	High/Low
Jul	17.13	17.25	17.40 17.13
Aug	16.58	16.89	16.91 16.58
IPE Index	17.37	17.76	

Turnover: 4019 (5409)

GAS OIL $/tonne

	Close	Previous	High/Low
Jun	142.25	142.50	144.00 142.00
Jul	140.75	141.00	142.50 140.75
Aug	142.00	142.50	143.75 141.75
Sep	142.25	143.75	143.50 142.25
Oct	143.25	145.50	145.00 143.25
Nov	144.50	145.25	145.00 144.50
Dec	146.25	147.00	146.25

Turnover 5371 (5543)lots of 100 tonnes

FRUIT AND VEGETABLES

French cherries are new at £1.50-1.80 a lb, reports the FFVIB. Spania peaches are also new arrivals at 25-35p each. Top quality Bramleys are 30-45p a lb (25-40p). Seasonal English asparagus are now £1.50-1.85 a lb (£1.70-2.00). French new crop carrots 30-40p a lb. Brittany new crop potatoes 20-25p a lb and Jersey Royals are abundant at 33-50p a lb (40-60p). Salad vegetable prices are stable with tomatoes 45-75p a lb, cucumber 40-75p each, watercress 30-40p a bunch and Iceberg lettuce 60p-£1.00 each all unchanged on last week.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 22,275 tonne
Cash	2310-20	2345-50		2370-5		
3 months	2125-30	2148-50	2185/2125	2172-5	2130-5	34,265 lots
Copper, Grade A (£ per tonne)						Ring turnover 40,350 tonne
Cash	1668-70	1641-3	1696	1696-7		
3 months	1661-2	1638-8	1688/1656	1688-9	1659-60	71,943 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	537-40	538-41		542-3		
30 June	543-6	544-7		548-9		301 lots
Lead (£ per tonne)						Ring turnover 7,525 tonne
Cash	408-7	398.5-400.5	409.5	409.5-10.0		
3 months	394-5	389-90	394.5/390	394-5	393-3.5	10,143 lots
Nickel ($ per tonne)						*Ring turnover 2,424 tonne*
Cash	13200-300	13550-600	13200/13150	13100-200		
3 months	12925-50	13225-50	13300/12900	12900-50	12850-950	7,660 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 10,475 tonne
Cash	1750-5	1745-55	1785	1783-5		
3 months	1660-5	1640-5	1685/1655	1685-90	1660-5	10,937 lots
Zinc ($ per tonne)						Ring turnover 9,325 tonne
Cash	1655-60	1635-445	1665	1665-7		
3 months	1607-10	1588-90	1630/1600	1620-5	1605-10	11,087 lots

POTATOES £/tonne

	Close	Previous	High/Low
Nov	95.0	95.0	95.0 94.0
Feb	120.0	120.0	110.0
Apr	167.0	171.0	171.5 164.5
May	185.0	187.0	181.0

Turnover 408 (410) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Jun	152.00	152.00	153.00 152.00
Aug	147.00	146.50	147.00

Turnover 55 (100)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
May	1715	1715	1721 1715
Jun	*1600*	*1600*	*1615 1598*
Jul	1470	1468	1476 1470
Oct	1552	1550	1560 1559
Jan	1574	1570	1575
Apr	1604	1600	1600
BFI	1748	1744	

Turnover 503 (444)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
May	115.50	114.75	115.55 115.00
Jun	116.50	115.75	116.50 116.00
Sep	105.25	105.50	105.10
Nov	107.40	107.70	107.35 107.20
Jan	110.75	111.10	110.70
Mar	113.76	114.10	113.70
May	*116.90*	117.15	*116.75*
Barley	**Close**	**Previous**	**High/Low**
May	106.00	107.25	
Sep	103.35	103.50	103.25 103.10
Nov	106.35	106.50	106.10
Jan	109.35	109.35	
Mar	112.00	112.00	
May	113.35	113.35	

Turnover: Wheat 172 (172), Barley 32 (103). Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	110.0	110.0	109.8 109.7
Aug	108.0	108.5	
Oct	112.0	112.0	
Nov	113.0	113.0	
Feb	107.5	108.0	
Apr	109.0	108.5	108.5

Turnover 62 (10) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	370¼-370¾	229½-230
Opening	371¼-371¾	229½-230
Morning fix	371.00	229.608
Afternoon fix	370.00	228.607
Day's high	371¼-371¾	
Day's low	369¼-369¾	

Coins	$ price	£ equivalent
Mapleleaf	381-386	236-239
Britannia	381-386	236-239
US Eagle	381-386	236-239
Angel	381-386	236-239
Krugerrand	370-373	229-231
New Sov.	87¼-88¼	54-54¾
Old Sov.	87¼-88¼	54-54¾
Noble Plat	513.55-521.75	318.20-323.25

Silver fix	p/fine oz	US cts equiv
Spot	337.20	542.75
3 months	348.10	555.95
6 months	359.25	569.10
12 months	381.35	*595.40*

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1950	334	*209*	15	90
2150	183	114	62	189
2350	83	57	159	336
Copper (Grade A)	**Calls**		**Puts**	
2500	145	162	62	119
2700	92	117	108	171
2900	54	82	137	233

LONDON FOX TRADED OPTIONS

Coffee	Jul	Sep	Jul	Sep
1150	97	91	22	73
1200	64	69	39	101
1250	41	51	66	133
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
650	66	85	2	6
700	28	48	14	19
750	8	23	44	44

US MARKETS

IN THE METALS, news of a smaller than expected rise in the US consumer price index put pressure on the metal markets, reports Drexel Burnham Lambert. Gold and silver prices both sank to new lows. Platinum and copper fell on carryover selling from the gold and silver. In the softs, coffee futures rallied almost 400c on new fund buying. Cocoa featured choppy action with heavy volume. Sugar closed lower with good trade participation. The grain markets featured higher prices in the soy complex as commercial interest increased. Wheat and corn futures were again slow closing nearly unchanged. The livestock markets were lower as some long liquidation took place. The energy complex had mixed sessions. Prices gained early on news of a refinery fire but closed soft. Cotton prices were higher as light trade buying kept the market firm.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	369.7	373.2	369.5	369.5
Jun	370.3	373.9	373.5	369.5
Jul	372.2	375.8	0	0
Aug	373.9	377.5	377.4	373.0
Oct	378.0	381.6	380.3	377.5
Dec	382.1	385.7	385.0	381.2
Feb	386.3	389.9	0	0
Apr	390.5	394.1	0	0
Jun	394.8	398.3	397.3	394.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	502.7	509.9	514.0	490.0
Oct	502.2	509.9	513.0	491.0
Jan	503.7	511.4	515.0	495.0
Apr	506.7	514.4	510.0	500.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	540.1	542.9	543.0	540.0
Jun	541.3	544.3	545.0	545.0
Jul	546.7	549.7	551.0	545.5
Sep	556.2	559.2	561.0	555.5
Dec	569.4	572.4	573.5	568.0
Jan	573.7	576.7	0	0
Mar	582.7	585.7	586.5	584.0
May	592.0	595.0	596.5	593.0
Jul	*601.5*	*604.5*	606.0	*604.5*
Sep	611.3	614.3	615.0	610.0

INDICES

REUTERS (Base: September 18 1931 = 100)

May 17	May 16	mnth ago	yr ago
2004.3	2000.1	2025.2	1805.2

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	136.74	136.71	138.11	134.36
Futures	135.06	135.01	138.64	136.15

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	118.85	119.00	119.70	116.80
Jun	116.70	118.70	118.60	118.50
Jul	116.80	117.70	119.00	116.20
Sep	115.00	115.70	117.00	115.40
Dec	113.20	113.60	114.70	112.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	20.09	20.13	20.45	20.03
Jul	18.72	18.68	18.92	18.53
Aug	18.04	18.04	18.20	17.89
Sep	17.64	17.65	17.80	17.55
Nov	17.28	17.25	17.40	17.17
Dec	17.16	17.12	17.28	17.00
Jan	17.00	16.99	17.15	16.95
Feb	16.91	16.89	17.00	16.85

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	4780	4798	4850	4725
Jul	4650	4685	4730	4600
Aug	4695	4725	4780	4650
Oct	4835	4860	4870	4835
Dec	4990	5000	5025	4940
Jan	4975	5025	5000	4975

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1166	1167	1184	1150
Sep	1140	1152	1153	1133
Dec	1144	1151	1155	1138
Mar	1140	1152	1153	1133
May	1147	1159	1158	1144
Sep	1188	1198	1195	1185

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	142.85	141.00	145.60	138.00
Jul	133.77	129.86	133.90	130.30
Sep	127.00	123.59	127.00	124.00
Dec	122.88	119.41	122.85	120.00
Mar	121.00	118.20	121.00	119.00
May	122.00	118.50	0	0
Jul	121.75	118.75	0	0
Sep	120.00	117.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	12.33	12.48	12.48	12.31
Oct	12.21	12.38	12.41	12.20
Jan	11.78	11.95	12.35	12.35
Mar	11.76	11.83	11.91	11.75
Jul	11.62	11.70	11.76	11.75
Oct	11.41	11.49	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	67.61	67.47	67.80	67.45
Oct	68.75	68.25	68.85	68.30
Dec	68.88	68.15	68.95	68.20
Mar	69.00	68.45	69.20	68.50
May	69.16	68.46	69.18	68.60
Jul	69.00	68.62	69.00	68.60

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	183.35	184.70	188.90	182.50
Sep	180.60	182.05	183.70	179.70
Nov	170.65	172.80	172.25	170.40
Jan	168.00	170.00	169.00	168.00
Mar	167.50	169.05	167.50	167.50
May	167.50	168.25	169.00	169.00
Jul	167.50	168.25	0	0
Sep	167.50	168.25	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	736/6	729/4	737/4	729/0
Jul	721/0	712/6	722/0	711/4
Aug	712/0	704/0	712/4	704/0
Sep	693/0	687/4	693/4	685/4
Nov	685/4	679/4	686/0	680/4
Jan	693/6	689/0	695/4	689/0
Mar	703/0	697/4	704/4	700/0
May	710/2	706/0	710/4	706/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	22.42	22.23	22.44	22.30
Jul	22.79	22.61	22.85	22.68
Aug	23.02	22.85	23.10	22.94
Sep	23.30	23.12	23.32	23.18
Oct	23.44	23.33	23.50	23.35
Dec	23.90	23.75	23.95	23.76
Jan	23.95	23.92	24.10	23.95
Mar	24.50	24.46	24.55	24.45

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	214.4	215.7	216.8	213.9
Jul	214.4	213.1	215.2	213.1
Aug	211.7	209.6	211.9	210.0
Sep	207.7	205.8	208.0	205.8
Oct	204.0	202.0	204.0	201.5
Dec	201.7	199.5	202.0	199.5
Jan	201.0	199.5	201.0	201.0
Mar	200.5	198.7	201.0	200.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	278/0	277/2	278/4	275/0
Jul	271/6	270/4	272/4	270/4
Sep	260/4	258/4	261/6	259/0
Dec	257/2	254/2	258/0	254/6
Mar	263/6	261/2	264/4	261/6
May	266/0	263/0	267/0	266/0
Jul	267/4	264/4	268/2	265/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	408/2	407/4	409/4	408/0
Jul	402/6	403/4	404/2	401/0
Sep	410/0	411/4	412/0	409/0
Dec	423/2	424/0	424/6	422/0
Mar	429/4	429/0	429/4	428/0
May	421/0	420/0	421/0	419/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	70.67	71.20	71.50	70.35
Aug	67.15	67.87	68.00	66.85
Sep	68.00	68.75	68.75	68.00
Oct	69.55	70.35	70.12	69.25
Dec	71.22	71.90	71.65	70.95
Feb	71.55	72.27	72.00	71.20
Jun	71.67	72.35	71.90	71.50

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	48.27	48.42	48.42	48.02
Jul	48.37	48.37	48.45	48.00
Aug	46.55	46.62	46.80	46.35
Oct	43.42	43.77	43.75	43.32
Dec	45.50	45.87	45.85	45.50
Feb	46.90	47.07	46.95	46.70
Apr	44.87	44.77	44.70	44.40
Jun	47.77	47.77	47.90	47.60

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	35.10	35.75	36.50	34.90
Jul	35.35	35.87	36.48	34.87
Aug	35.05	35.50	36.00	34.60
Feb	52.47	52.37	53.25	52.10
Mar	52.10	52.02	53.50	51.90
May	53.56	53.80	0	53.35
Jul	52.05	52.05	0	0
Aug	49.45	49.45	0	0

LONDON STOCK EXCHANGE

Equity market continues its advance

UNCHANGED interest rates at the Bundesbank, favourable data on the US and domestic economies and a burst of corporate activity all helped spur the UK equity market ahead again yesterday. The Footsie Index climbed more than 20 points to a new post-Crash peak, with share gains exacerbated by a shortage of stock on market makers' books.

The unexpected appearance of Sir James Goldsmith, Mr Kerry Packer and Mr Jacob Rothschild as joint buyers of Goodman Fielder Wattie's 30 per cent stake in Ranks Hovis McDougall set the corporate stage alight. Trading results or hints of impending developments sent a number of other leading names racing higher.

Account Dealing Dates		
*First Dealings:		
May 8	May 22	Jun 5
Option Declarations:		
May 18	Jun 1	Jun 15
Last Dealings:		
May 19	Jun 2	Jun 16
Account Day:		
May 30	Jun 12	Jun 26

*New time dealings may take place from 9.00 am two business days earlier.

Equities opened firmly as London turned more optimistic ahead of the Bundesbank Council meeting. When German rates were left unchanged, thus reducing, for the time being at least, upward pressures on UK rates, London's equity market extended its early gains.

The latest data on UK employment, average earnings and unit costs were well received, with April unemployment falling slightly more than predicted in the City and average earnings growth, at an annualised 9.25 per cent, in line with expectations.

A further upward twist came from the strength of the dollar in a favourable response to the 0.2 per cent gain in the core figure in US consumer price data for last month.

The Footsie Index gained 15 points before pausing for consolidation when Wall Street failed to maintain an early improvement. London renewed its advance later, however, as trading houses were caught short of stock in the face of speculative demand ahead of the move into the new equity trading Account at 3.30pm today.

The final reading showed the FT-SE Index 21.5 points ahead at 2,177.3, near to the day's high and a new closing peak for the period since the Crash of October 1987; in mid-afternoon, the Footsie touched a new trading peak of 2,179.5.

Seaq volume of 539.9m shares compared with 548.6m in the previous session, and was boosted both by selective demand in the retail and electronics sectors and by intense market maker activity as traders struggled to find stock. Ladbroke, the UK leisure group, moved up strongly on excellent trading news.

Among the most active features, Cable & Wireless stood out amid wildly-ranging hints of impending developments. Consolidated Gold Fields edged higher, moving further into their post-bid trading range without attracting much investment interest. Minorco's decision to appeal against the New York court ruling which effectively killed off its £3.5bn bid for Gold Fields was not seen as significant, and had no effect on share dealings.

FINANCIAL TIMES STOCK INDICES

	May 18	May 17	May 16	May 15	May 12	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	86.70	86.60	86.74	86.63	86.76	89.97	89.29 (8/2)	85.84 (13/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.03	97.34	97.35	97.44	97.05	98.13	99.59 (15/3)	95.93 (4/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1810.1	1792.2	1776.2	1787.2	1779.1	1408.1	1810.1 (18/5)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	175.0	179.4	176.3	177.8	176.3	200.9	196.1 (28/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)

	May 18	May 17	May 16	May 15	May 12	Year Ago
Ord. Dl. Yield	4.37	4.41	4.45	4.39	4.42	4.66
Earning Yld %(full)	10.63	10.74	10.84	10.74	10.81	12.04
P/E Ratio(Net)(☆)	11.35	11.23	11.13	11.23	11.16	10.16
SEAQ Bargains(5pm)	32,161	28,528	27,649	29,764	27,173	24,937
Equity Turnover(£m)†	-	1342.01	1094.20	1204.85	1240.09	1238.69
Equity Bargains†	-	31,345	31,938	32,488	29,896	25,429
Shares Traded (ml)†	-	479.1	394.7	445.5	483.8	403.1

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1797.1	1796.1	1801.6	1801.9	1804.1	1804.8	1803.2	1810.2

DAY'S HIGH 1810.6 DAY'S LOW 1795.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 11.25 †Excluding intra-market business.

S.E. ACTIVITY

Indices	May 17	May 16
Gilt Edged Bargains	111.0	109.0
Equity Bargains	203.1	208.9
Equity Value	2712.6	2211.7
5-Day average		
Gilt Edged Bargains	99.5	93.5
Equity Bargains	198.0	194.7
Equity Value	2448.5	2421.3

● London Report and latest Share Index: Tel. 0898 123001

Big rise on RHM deal

News that Goodman Fielder Wattie (GFW), the Australian food group, had sold its 29.9 per cent stake in Ranks Hovis McDougall (RHM) to Sunningdale, a new vehicle set up by international financiers Sir James Goldsmith, Mr Jacob Rothschild and Mr Kerry Packer, sent the RHM price soaring 78p to 436p on turnover of 34m shares.

Although the complexity of the situation left dealers and analysts gasping, the clear consensus was that Sunningdale will launch a break-up bid for RHM. This was how most food analysts expected the scenario to develop: RHM's £1.4bn bid for GFW will be voted out at the company's egm; Sunningdale will then bid around 500p-a-share for RHM; if it succeeds, then RHM will be broken up – the vital breadmaking division going to GFW – with Sunningdale realising at least 600p-a-share on the break-up.

There was little sympathy in the market for RHM's predicament. "Ranks always ran the risk when it bid for Goodman Fielder of driving its share price down and opening up the opportunity for a raider to come in and buy the Goodman stake cheaply," said Mr David Lang of Henderson Crosthwaite. The attraction of RHM to people like Goldsmith and Rothschild was obvious, said Mr Lang: "It is a veritable treasure trove of brand names; really an exceedingly good company."

Analysts believe RHM's only hope is either to delay the egm long enough to persuade its shareholders to reject the bid, or to hope for an anti-competitive ruling from the UK authorities. "Although it is an unlikely eventuality, the possibility of an MMC referral cannot be ruled out," warned Mr Carl Short of Kitcat & Aitken, who noted that in the past the UK bread business has been a sensitive area.

Mercury rises

Turnover in Cable & Wireless (C&W) reached major proportions with the shares rising 40 to 580p, just about the year's best level, on turnover of 13m amid a welter of market rumours.

Dealers said the shares had been boosted by numerous stories, not all of them new. The latest tales have C&W selling its Mercury subsidiary to AT&T of the US, a story described as "pretty desperate and highly unlikely to say the least," by one sector analyst.

Other rumours included speculation that the Mercury business would be floated off, that C & W would reveal details of the sale of further shares in Hong Kong Telephone, and that C & W was moving towards a Racal Electronic/Racal Telecom US-style valuation.

Sector specialists were, however, keen to play down the speculative reports, and preferred to focus on fundamental market and business factors. "You have an accumulation of bullish factors, notably the steep rise in the dollar, plenty of big buying of the traded options and, perhaps the biggest thing today, the appearance of a heavy buyer of the shares in a market rapidly running short of stock," said one dealer.

Mr Robert Pringle at Hoare Govett attributed the steep rise to "a growing current of opinion in the US that having done so well in Racal, Mercury is likely to exhibit the same characteristics." C & W's full year figures are scheduled for June 14; Hoare forecasts £406m for the current year, against £356m last time, with £515m pencilled in for 1990 and £640m for the following year.

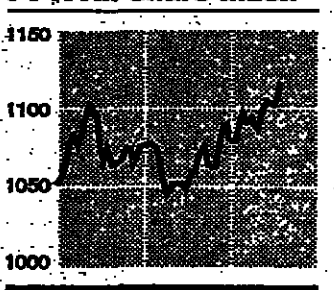
Royal displeases

Royal Insurance shares substantially underperformed the market and, more importantly, the rest of the insurance sector after the board unveiled first quarter results well below market expectations. The range of forecasts was £44m to around £55m, but Royal's figure came out at £44.7m, some 9 per cent down on the £55m earned in the same period last year.

Royal attributed the shortfall to losses in its estate agency business and to "most disappointing results from its US business", where a profit of some £15m turned into a loss of £13.3m. The company's UK and international business, the US apart, turned in record profits, the company said.

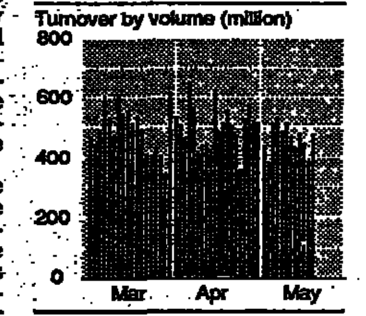
Dealers described the figures as pretty bad and reported switching out of the stock into other composites. Royal shares dropped to 410p at one point before steadying and eventually rallying to close a net 11 off at 415p; turnover came out at 3.3m.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



The dollar-earners continued to move up behind the US currency, although prices closed off the top as marketmakers, eager to attract shares, ran ahead of the buyers. Glaxo touched 1400p and Reuters at 823p also extended their recent gains. A gain of 9 took Beecham to 628p, but dealers commented that nothing had happened to change expectations that the planned merger with SmithKline Beckman of the US will procede without a hitch.

The weak spot among the internationals was Fisons, which lost 7 to 307p as bid speculation waned, leaving the shares vulnerable to recent bearish comment.

Anglo Leasing, the Goldsmith/Rothschild vehicle for expansion in the UK, leapt 20 to 442p in a predictable response to the acquisition by the two financiers of a near 30 per cent stake in RHM.

Composite insurer Commercial Union raced up late in the day and closed 8 higher at 384½p – against the overall trend in the sector - after the John Spalvins-run Adsteam interests announced an increase in their share-stake to 12.03 per cent.

Brewers were buoyed by hints from Lord Young, the Secretary of State for Trade and Industry, that he is willing to make concessions over the Monopolies Commission's recommendations for restructuring the brewing industry. Bass gained most, climbing 16 to 966p, while Allied Lyons added 5 at 457p. In contrast, the market had discounted profits growth of 19 per cent from Whitbread, and the "A" shares dropped 5 to 361p.

Hotels climbed steadily after positive trading news from Ladbroke, which boosted by news of a one-for-one bonus issue, shot up 29 to 609p on turnover of 6.8m shares. Mount Charlotte gained 10 at 198p and Trusthouse Forte 6 at 320p in sympathy.

The Government White Paper on increased funding for road building and infrastructure projects triggered another big boost for the contracting and building materials issues.

Chemicals stocks extended their strong gains with Rechem, after the bumper profits announced recently, up 53 more to 693p.

Stores had another good day, buoyed by a bullish note on the sector from broker Prudential-Bache and today's Citicorp-organised round of visits to UK retailers by US investors. Burton was the pick of the day; highlighted as a buy in the Pru-Bache circular, Burton rose 11 to 232p on turnover of 4.3m shares.

Among second-liners Stead & Simpson "A" added 7 at 151p as major shareholder Clayform Properties (down 4 at 315p) sought to reopen bid talks; Clayform narrowly failed with its first bid for Stead & Simpson last July. Dunhill climbed 9 to 308p on speculation that Swiss group Richemont will try to turn its 43 per cent interest in Rothmans (the majority shareholder in Dunhill) into a controlling stake. Rothmans finished 11 better at 532p. Fine Arts Developments jumped 18 to 249p after announcing higher profits.

The big two-way pull in British Telecom continued yesterday with the shares underperforming the market and settling a shade off at 277p with a substantial 13m traded. Dealers reported plenty of switching into C & W and selling pressure ahead of the preliminary figures scheduled for June 1.

The Racal duo maintained their recent strong performances with Electronics up 18 more to 506p on 6.5m and Telecom up 10 to 448p in much smaller turnover. STC raced up 18 to 360p on 3.7m amid suggestions that a joint venture, perhaps involving ICL and West German group Nixdorf, is imminent.

GEC moved up 5 to 249p on 4.5m and Plessey edged ahead to 264p on 1.9m with dealers adjusting their book positions ahead of news expected in the next couple of weeks regarding a possible renewal of the GEC/Siemens bid for the UK group.

Logica, the software house, dropped 24 to 365p as the market picked up whispers of possible imminent profits downgradings in the stock. United Scientific, among the market's worst performers on Wednesday after the warning of losses for the past year, rallied 9 to 152p – "there is little downside at this level, they are just about the most vulnerable defence stock in the market," said one analyst.

GKN climbed 14 to 400p on impressive turnover of 3.6m shares after ANZ McCaughan Securities upgraded the stock following a company visit. Mr Tony Lancelott of ANZ now thinks GKN will make profits of £205m this year (he was previously on £198m); he says that the company's booming industrial services division should report net profits growth this year of 25 per cent.

The RHM story spurred food manufacturers to great heights, led by Cadbury Schweppes, up 10½ at 363½p, Dalgety, 12 firmer at 364p, Unigate 10 better at 376p, United Biscuits 6½ to the good at 340½p and Fitch Lovell, up 7 at 279p. Hoare Govett has brought out a timely review of the manufacturers, highlighting the bid potential in the sector, and predicting a rash of US-style leveraged buy-outs this summer. "Not a time to be underweight," warns the broker.

Avis Europe were favoured ahead of next Tuesday's annual meeting which will be followed by a visit of analysts to the company's leasing operations and closed 13 better at 422p. Bid speculation took hold in Aberfoyle, 5 firmer at 48½p, while shareholders' approval of the buy-in proposals found TT Groupresponsive at 270p, up 9. USM-listed Business Technology strengthened late to end 22 up at 287p.

Trading statements continued to inspire Nu-Swift, which rose 15 more to 481p, and NFC, 4 dearer at 248p, but Lep Group eased to 175p in spite of bumper annual profits.

Charles Barker warmed to the chairman's view that the full-year outcome should show an advance in profitability, although the first-half results are likely to be lower. The shares closed 5 higher at 88p.

Courtaulds were one of the many leading stocks influenced by sterling/dollar considerations. A particularly aggressive early buyer took the market out of stock and exerted a squeeze on supplies which sent the shares to 338p before a close of 336p, a net rise of 10. Courtaulds is scheduled to report annual results next Wednesday. Other beneficiaries of the currency factor were British Aerospace, 15 higher at 647p, Jaguar, 12 up at 313p, and BAT Industries, which also advanced 12 to 562p.

Tootal (129½p) were unaffected by Coats Viyella's launch of a £90m convertible preference issue in international capital markets to finance the acquisition of Mr Abraham Goldberg's 25 per cent stake in Tootal.

RIT Capital Partners rose 6 to 125p. When shareholders approve current proposals the trust will have 14 per cent of its portfolio in Anglo-Leasing and also an interest in the newly-formed Sunningdale. Scottish American Investment (SAI) was another trust to come into focus. Disclosure that Continental & Industrial trust had a stake of 11.8 per cent put shares of SAI up to 117p before a close of 4 higher on balance at 115p.

Inchcape continued strongly in the wake of the recent press visit to the company's operations in South-east Asia and the Far East. When the shares rose to 287p, up 7 further, the market capitalisation of the group breached £1bn for the first time.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 24

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (257).

BRITISH FUNDS (3) LOANS (6) AMERICANS (40) CANADIANS (12) BANKS (3) BREWERS (7) Guinness 5¼pc Cv Pf. BUILDINGS (18) CHEMICALS (10) STORES (8) ELECTRICALS (18) ENGINEERING (16) FOODS (12) HOTELS (4) INDUSTRIALS (46) ADT, Aberfoyle Hldgs., Alexandra Workwear, Aukett Assoc., BTR Wrnts., Bardon Grp., Barrett (Henry), Barry Wehmiller, Baxter Intl., Boots, Brierley Invs., Brit Aerospace, B.H. Prop., Brooks Service, Cathay Pacific, China Light, Cooper (Alan), Dean & Bowes, Dover Corp., Dyson (J. & J.), Electrolux, Fuel Tech., Glaxo, Hawthorn Leslie, Hay (Norman), High-Point, Hughes (H.T.), Huntleigh Tech., Hutch Whmp., Jardine Hldgs., Johnston Grp., Kelsey Inds., Kershaw (A.), Mosaic Invs., Nu-Swift, Parkfield Grp., Reckitt & Colman, Reuters, Securicor, Security Services, Securiguard, Siebe, TT Grp., Unilever, Unilock, Whatman Reeve. INSURANCE (5) LEISURE (7) MOTORS (2) Airflow Streamlines, Quicks Grp., NEWSPAPERS (3) PAPERS (8) PROPERTY (8) SHIPPING (3) TEXTILES (1) Courtaulds, TRUSTS (32) OILS (8) OVERSEAS TRADERS (4) PLANTATIONS (3) MINES (3) THIRD MARKET (8).

NEW LOWS (36).

BREWERS (1) Wolv. & Dudley, BUILDINGS (2) Bellwinch, Erith, CHEMICALS (1) Coates Bros., STORES (4) Colorvision, Dixons, Gabicci, Goldberg (A.), ELECTRICALS (7) ENGINEERING (1) Downiebrae, INDUSTRIALS (16) Bestwood, Halls Homes & Gdns., Kleen-E-Ze, MY Hldgs., Rauma-Repola, Relyon, Rockware, Sale Tilney, Vinten Grp., Wood (Arthur), LEISURE (2) Hanimex, Tottenham Hotspur, MOTORS (1) Trimoco, PROPERTY (1) Kentish Prop., TEXTILES (2) Drummond Grp., Tomkinsons, TRUSTS (2) OILS (1) MINES (2) THIRD MARKET (1).

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	4,400	172	+5	Costain	580	334	+3	Laporte	346	442	+2	Royal Bk of Scotland	183	393	-1
Allied-Lyons	3,000	457	+5	Courtaulds	3,400	336	+10	Legal & General	2,500	324	+2	Royal Insurance	3,300	415	-11
Amstrad	395	189	+1	Dalgety	1,100	364	+12	Lloyds Bank	1,200	353	-7	STC	3,700	360	+18
Argyll Group	3,100	199	+2	Dixons	3,100	136	+1	LASMO	1,000	472	+10	Saatchi & Saatchi	815	310	-½
Ass. Brit. Foods	839	353	+2	Eng. China Clays	396	497	-3	Lonrho	2,300	282		Sainsbury	1,400	240	-2
BAA	1,300	348		Enterprise Oil	204	567	+4	Lucas	1,400	645	+4	Scot & Newcastle	1,200	386	+2
BAT Inds.	4,300	562	+12	FKI Babcock	1,300	166		MB Group	1,100	296	-1	Sears	4,300	123½	+1½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Aerospace	2,600	647	+15	GKN	3,600	400	+14	Plessey	1,900	264	+2	Tate & Lyle	458	262	+4
British Airways	2,100	208		Guinness	3,200	487		Polly Peck Intl.	1,700	301	-3	Taylor Woodrow	707	651	
British Gas	4,200	182½	+1	Hammerson "A"	863	885	+4	Prudential	2,700	185	-½	Tesco	4,100	181	+5
British Land	179	367		Hanson	4,400	199½	-½	RHM	33,550	436	+78	THORN EMI	411	729	+5
BP	4,000	287	+2	Harrisons & Cros.	279	178	+1	RMC	566	779	+3	Trafalgar House	2,100	384	+5
British Steel	16,750	89½	+1½	Hawker Siddeley	468	733	+16	RTZ	431	526	-2	Trusthouse Forte	6,500	320	+6
British Telecom	13,000	277	-1	Hillsdown Hldgs.	2,800	281	+2	Racal	6,500	506	+18	Ultramar	7,300	328½	-2½
Burmah Oil	1,165	612½	+13½	IMI	427	236		Rank Org.	128	967	+11	Unilever	746	560	+6
Burton	4,300	232	+11	Imp. Chem.	1,300	1255	+16	Reckitt & Colman	326	1174	+36	United Biscuits	5,800	350½	+6½
Cable & Wireless	13,000	580	+40	Inchcape	733	287	+7	Redland	2,800	607	+12	Utd. Newspapers	907	437	+3
Cadbury Schweppes	4,400	363½	+10½	Jaguar	3,000	313	+12	Reed International	814	399	+4	Wellcome	938	466	+2
Carlton Comm.	194	854	+6	Kingfisher	968	323	+2	Reuters	1,200	823	+4	Whitbread "A"	4,400	361	-5
Commercial Union	1,800	384½	+8	Ladbroke	6,800	609	+29	Rolls Royce	3,600	189½	+½	Williams Hldgs.	344	273	+1
Cons. Gold Fields	574	1238	+10	Land Securities	294	589	+1	Rothmans	433	532	+11	Wimpey	1,600	288	

APPOINTMENTS

J. Lyons chief executive

Allied-Lyons, the UK food and drink group, has appointed Mr Tony Hales as chief executive of J LYONS, its food division, *writes Lisa Wood*.

Mr Richard Martin, chief executive of Allied-Lyons, had combined the roles of chairman and chief executive of the food division since March when Sir Alex Alexander relinquished the position. The holding of the two positions at J Lyons by Mr Martin was temporary until a new chief executive was appointed.

Mr Hales is currently managing director of Ansells, the Midlands trading company of Allied Breweries.

Allied this week announced a pre-tax profit of £502m for the full year to March 4 1989. The City was disappointed by a £115m trading profit from the food division, a 7.5 per cent increase on the previous year. Allied, which has said it was interested in the snacks businesses put up for sale by R J R Nabisco, is currently making a review of its food operations.

■ LIQUID PLASTICS has appointed brothers, Mr Jonathan Gorick and Mr Jeremy Gorick, to its board as group services director and UK sales director respectively.

LEGAL & GENERAL INVESTMENTS has appointed Mr Ian Taylor *(above)* a director of Legal & General Ventures – the company's venture capital arm. He was a director of Grosvenor Venture Managers.

■ The HEART OF ENGLAND BUILDING SOCIETY has appointed Mr Tony Jones as general manager, sales and and service, Ms Carol Thompson as general manager, marketing and business development, and Mr Eric Tomlins, general manager, information services.

■ HALDON TRUST has appointed Mr Nicholas Lamb as an executive director. He was a managing director at Hamptons.

■ Mr Martin Kelly has joined CAPE INDUSTRIAL PRODUCTS and CAPE INSULATION PRODUCTS as director and general manager. He was export director at Cape Building Products.

■ Mrs Christine Woodward has become sales director at MICROPHAX, a Halma Group company. She was sales manager.

■ Mr Ian Townsend, managing director of Bett Developments, is appointed to the board of BETT BROTHERS.

■ At PLAYMOBIL UK Mr Barry Harding has become chief executive. He joins from Fisher-Price where he has spent the last three years developing the company's sales and marketing plans.

■ ALEXANDER HOWDEN REINSURANCE BROKERS has appointed Mr Simon S. Barnes as chief executive of the LMX division. Mr Tony L. Abrahams and Mr Ron W.C. Cullum, in their capacity as senior executives of the LMX division, continue as managing directors of Alexander Howden Reinsurance Brokers.

■ Mr Christopher Thomas has joined REED INTERNATIONAL as group controller. He was previously financial controller at Reuters.

■ Mr Tony Bridges has been appointed personnel director of LUCAS AUTOMOTIVE. He previously held a similar post at Lucas Aerospace.

Mr Peter Cassell is to become managing director of Lucas Electrical Products, a division of Lucas Automotive, on June 1. To take up the appointment he returns from Argentina where he has been general manager of the Lucas subsidiary, Lucas Indiel since 1974.

■ BARDON GROUP has appointed Mr Bryan Stock as group finance director. He was group financial controller.

■ Mr Martin Scantlebury has been made an associate director of CHILTERN FINANCIAL SERVICES. He was fomerly general manager, taxation, with the ANZ Banking Group.

■ Mr Keith Fellows has joined C.C.S. GROUP as financial director for C.C.S. Group Holdings and its operating subsidiaries.

■ Mr Geoff Walker has become managing director of BASE INTERNATIONAL BIOTECHNOLOGY, a subsidiary of BASE International Holdings. He was previously with the Department of Trade and Industry biotechnology unit at the laboratory of the government chemist.

■ Mr Goran Ando has been appointed to the board of GLAXO GROUP RESEARCH as medical director. He was president of the Astra research centre in Sweden. Mr Ando succeeds Mr David Richards who has taken up the position of senior vice president, medical operations, at Glaxo Inc in the US.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
30 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	52.41	52.96	56.34	+1.09	4.86
Gilts & Fixed Int	6	112.2	112.2	119.1		8.40
High Inc Equity	6	133.60	136.60	145.2	+0.9	4.37
Worldwide Bond	6	192.30	192.3	203.8	+2.0	4.76
Capital Growth						
American Growth	6	179.70	181.8	193.3	+2.7	1.28
Asian Pacific	6	105.40	105.60	112.3	+2.4	0.62
Assets & Earnings	6	161.25	161.2	172.5	+0.5	1.51
Capital Reserve Acc	0	84.86	84.86	85.05	..	4.70
Commdty & Energy	6	99.25	99.25	106.2	-0.7	0.99
1992 Enterprise	6	57.63	58.68	62.42	+0.26	2.98
European Capital	6	81.62	81.62	87.30	+0.98	0.86
General	6	178.0	178.0	190.4	+0.9	2.36
Japan	6	109.0	110.6	117.8	-0.6	0.00
Mastertrust	6	85.04	85.64	90.96	+0.98	1.57
UK Growth Acc	6	203.9	203.9	218.1	+0.7	1.03
UK Growth Dist	6	135.9	135.9	145.45	+0.4	1.55
US Emerging Cos	6	53.38	54.96	59.46	-1.06	0.00
Income & Growth	6	294.1	294.1	314.6	+2.6	3.26
Ethical	6	49.50	50.64	53.87	-0.32	2.32
Abtrust Management Ltd (1000)H						
10 Queens Terrace Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5	30.09	30.09xd	32.12	-0.54	3.59
European	5½	59.86	59.99	64.04	-0.13	0.00
European Income	5½	59.56	59.56xd	63.59	-0.15	3.31
Exempt	1	810.4	810.4	845.8	-3.96	2.31
Extra Income	5	43.45	43.45	46.39	-0.12	4.99
F East Emerg Econs	5½	42.94	43.29	46.36	-0.22	0.97
Fund Inv Tst	5	123.4	123.4xd	131.7	+0.60	2.55
Do Accum	5	192.1	192.1	205.1	+0.90	2.56
Gilt & Fixed Int	5½	21.96	21.96	23.45	—	10.20

	Init Chrge	Canc. Price	Bid Price
CCL Unit Trusts Ltd (1400)F			
74 Shepherds Bush Green, W12 8SD			
UK General Tst	5½	55.39	56.29
Global Tst	5½	43.17	43.68
Recovery Tst	5½	54.13	56.29
CIBC Unit Tst Managers plc			
Cottons Ctr, Cottons Lane, Ldn SE1 2Q			
Growth Fd Acc	5	108.4	109.8
CS Fund Managers Limited			
125 High Holborn, London WC1V 6PY			
CS America	5	58.55	58.55
CS International	5	55.31	55.31
CS Japan	5	122.5	122.5
CS Portfolio Inv ♦	5	72.12	72.12
Canada Life Unit Tst Mgrs Ltd			
2-6 High St, Potters Bar, Herts			
Can Gen Dist	5	141.2	146.3
Do Gen Accum	5	235.5	244.0
Do Income Dist	5	94.97	98.76
Do Inc Accum	5	217.6	226.3
Gilt & Fxd Int	5	36.59	36.67
Cannon Fund Managers Ltd			
1 Olympic Way, Wembley, HA9 0NB			
01-902 8876			
Growth	5¾	38.59	38.95
Income	5¾	48.40	49.03
Far East ♦	5¾	37.39	38.05
North American ♦	5¾	34.18	34.71
Global ♦	5¾	52.87	53.81
European	5¾	49.65	50.40
Japan ♦	5¾	103.7	105.5
Intl Currency Bd	5¾	42.18	42.18
Strategic Opps	5¾	54.49	56.04
Capability Trust Mngrs Ltd			
Admin, 5 Rayleigh Road, Hutton, Bre			
Enquiries 0277 227300			
American & Gen	5	74.76	75.60
(Accum Units)	5	78.06	78.94

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Provident Mutual Unit Tst Mgrs Ltd (0905)H						
25-31 Moorgate, London, EC2R 6BA 01-588 3963						
PM Equity Gth	5	123.2	125.3	133.2	+0.9	2.48
PM Income & Gth	5	105.9	107.8	114.6	+0.6	4.57
PM Nth Amer Gth	5	54.08	54.08xd	57.53	+1.26	1.31
PM European Gth	5	50.40	50.40xd	53.61	-0.1	0.83
PM Japan Gth	5	79.96	80.09xd	85.20	+0.03	0.29
PM Overseas Gth	5	52.42	52.42xd	55.76	+0.13	0.47
Prudential Holborn Unit Tsts Ltd (1445)H						
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377						
Holborn LinkLine 0800 010345						
Two Hourly Pricing						

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Smith & Williamson Unit Tst Mgrs (1000)F						
1 Riding House St, London W1A 3AS 01-637 5377						
S & W American	5	160.3	162.5	171.7	-0.5	1.94
S & W Far Eastern	5	104.4	105.4	111.5	+0.6	0.00
S & W Growth	5	97.39	98.91	104.6	+1.0	1.59
S & W Income	5	99.22	101.6	107.5	+0.8	5.47
S & W Smllr Sets	5	265.4	273.9xd	289.8	+2.5	1.20
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♦ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

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Windsor Trust Mngrs Ltd

Wright Seligman Fund Mngrs Ltd

The Yorkshire Unit Tst Mngs Ltd

OTHER UK UNIT TRUSTS

Charities Official Invest. Fund

Fidelity Investment Services Ltd

Robert Fleming Asset Mngmt Ltd

Henderson Unit Trust Management Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Trust

M & G Securities Ltd

MIM Ltd

Morgan Grenfell Inv Mngmt Ltd

Murray Johnstone UT Mngmt

New Court Property Fund Managers

Phillips & Drew Fund Management Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Abtrust Management Ltd

AEtna Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

American Life Insurance Co UK

Ambassador Life Assce. Co. Ltd

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

Citicorp British National

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Fidelity International

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Insurance Co of America

Commercial Union Group

Cornhill Insurance PLC

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Devonshire Life

Eagle Star Insurance Co Ltd

Eagle Star Insur./Midland Assur.

Economic Insurance Company Ltd

Edinburgh Money Management Ltd

Equitable Life Assurance Society

Equity & Law

FS Assurance Limited

Family Assurance Society

Fidelity Life Assurance Ltd

Friends' Provident

GT Management Ltd

General Accident Linked Life Assce

General Portfolio Life Insce Plc

Assicurazioni GENERALI SpA

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Irish Life Assurance Co Plc—Contd.

The LAS Group

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pension) Ltd

Liberty Life Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

M & G Life and M & G Pensions—Contd.

MGM Assurance

Manulife Group PLC

Merchant Investors Assurance Co Ltd

Midland Life Limited

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Britannia Assce Co Ltd—Contd.

NEL Pensions Ltd

NM Schroder Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Continued on next page

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Premium Life Assurance Co Ltd

37-39 Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	125 0	132 0	-1.0	-
Building Soc. Fd	170 0	179 0	.....	-
Balanced	283 0	298 0	.....	-
European	162.0	171 0	.....	-
GT Managed	173 0	183 0	+1 0	-
Gartmore Mngd	115 0	122.0	.....	-
German	112 0	118 0	.....	-
Gilt	182.0	192.0	-1 0	-
Global	48 0	51.0	.....	-
High Inc	119 0	126 0	.....	-
International Equity	189.0	199 0	.....	-
Japan	246 0	259 0	.....	-
Managed	64.0	68.0	.....	-
Property	279 0	294.0	.....	-
R. W. Imperial Gold	142 0	150 0	.....	-
UK Equity	382.0	403 0	.....	-
Pension Funds				
American	145 0	153 0	.....	-
Building Soc. Fd	170 0	179 0	.....	-
Balanced	217 0	229 0	.....	-
European	159.0	168 0	.....	-
German	102.0	108 0	.....	-
Gilt	152.0	160 0	.....	-
International Equity	139 0	147 0	.....	-
Japan	138 0	146 0	.....	-
Managed	64 0	68 0	.....	-
Property	215 0	227.0	.....	-
UK Equity	342 0	360 0	+1 0	-

Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4BE 0539 33733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Balanced Gwth Mngd.	595 8	627.9	+3 9	-
Adventurous Mngd	126.7	133.6	+1 0	-
Secure Mngd	108 1	114 0	+0 6	-
Cash Fd	231 7	244.2	.....	-
Property Fund	284.8	303 0	.....	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prudential Pensions Limited

Regency Life Assurance Co Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99	99	Treas 10½pc 1989	99xd	.....	–	–
99½	98	Exch.10pc 1989	99½		10.05	12.37
99	99	Exch 11pc 1989	99		11.06	12.30
98	95¾	Treas 5pc 1986-89	98		5.11	10.13
99½	99	Exch 10¼pcCv '89	99¾	.....	10.30	11.09
101	100¼	Treas 13pc 1990‡‡	100	.....	12.94	12.12
99	98	Exch 11pc 1990‡‡	99		11.08	12.03
101	99	Exch. 12½pc 1990	100		12.47	12.08
94½	91	Treas. 3pc 1990	94½		3.19	9.55
96⅞	95	Treas 8¼pc 1987-90‡‡	96¾xd		8.53	11.57
98	95	Treas. 8pc Cv 1990 ‡‡	96		8.29	11.19
98	97	Treas. 10pcCv 1990	97½		10.24	11.82
91	87	Exch 2½pc 1990	90¼xd		2.75	9.14
101	99	Treas 11¾pc 1991	100½		11.74	11.64
92	89	Funding 5¾pc '87-91‡‡	92	.....	6.24	10.47
89	86	Treas. 3pc 1991	89		3.35	8.89
100	96	Treas 10pc Cv '91 ‡‡	97½		10.26	11.35
101	98	Exch. 11pc 1991	99		11.09	11.39
94½	91	Treas. 8pc 1991	92		8.63	11.34
106	102	Treas 12¾pc 1992‡‡	103		12.28	11.05
99½	96½	Treas 10pc 1992	97		10.26	11.09
96	91½	Treas. 8pc 1992 ‡‡	92		8.65	11.09
100¾	97	Treas 10½pc Cv 1992‡‡	98		10.65	11.07
85	82¼	Treas. 3pc 1992	84xd		3.56	8.97
105	102	Exch. 12¼pc '92	103		11.87	11.04
109½	105	Exch 13½pc 1992	106		12.64	10.96
94	90	Treas 8¼pc 1993	92		8.94	10.80
100	96	Treas 10pc 1993‡‡	97		10.22	10.67
108¾	104	Treas 12½pc 1993‡‡	105		11.83	10.76
87¼	84½	Funding 6pc 1993‡‡	86	.....	6.96	9.97
113¼	109	Treas 13¾pc 1993‡‡	110xd		12.43	10.70
94½	90	Treas. 8½pc 1994	91		9.25	10.71
117	113	Treas 14½pc 1994‡‡	114		12.65	10.50
113	109	Exch 13½pc 1994	110		12.23	10.73
		Five to Fifteen Years				
100½	96	Treas. 10pc Ln. 1994‡‡	97xd		10.21	10.52
110½	106	Exch. 12½pc 1994	107		11.68	10.71
96	92¾	Treas 9pc 1994‡‡	93		9.59	10.48
108	104	Treas 12pc 1995	105		11.38	10.68
79¾	74½	Exch 3pc Gas 90-95	77½		3.87	7.79
101	97½	Exch. 10¼pc 1995	98		10.40	10.58
113	109	Treas 12¾pc 1995‡‡	110		11.57	10.52
119	114	Treas. 14pc '96	115		12.11	10.66
97½	93½	Treas. 9pc 1992-96‡‡	94¼		9.54	10.16
126	121	Treas 15¼pc 1996‡‡	122		12.44	10.57
117	112	Exch 13¼pc 1996‡‡	113		11.71	10.53
101	96	Conversion 10pc 1996	97		10.21	10.40
118	113	Treas 13¼pc 1997‡‡	114		11.59	10.48
104	99	Exch 10½pc 1997	100		10.45	10.41
95	90¾	Treas 8¾pc 1997‡‡	92		9.51	10.19
128¾	122	Exch 15pc 1997	124½		12.08	10.58
100	95	Exch. 9¾pc 1998	97		10.05	10.27
84¾	80½	Treas 6¾pc 1995-98‡‡	81	.....	8.25	9.85
134	128½	Treas. 15½pc '98‡‡	129¾		11.94	10.41
113	108	Exch. 12pc 1998	109¾xd		10.94	10.36
100¾	95	Treas 9½pc 1999‡‡	96¾		9.81	10.01
115¾	110	Exch. 12¼pc 1999	111½		10.98	10.34
105¾	100	Treas. 10½pc 1999	101xd		10.34	10.25
104	98	Conversion 10¼pc 1999	100xd		10.24	10.23
94	89	Treas. 8½pc Ln 2000‡‡	90¾		9.39	9.94
97	92	Conversion 9pc 2000‡‡	93¾		9.62	9.98
122	116	Treas. 13pc 2000	117¾		11.08	10.34
103¾	98	Treas 10pc 2001	99		10.03	10.04
124	118	Treas. 14pc '98-01	119xd		11.68	10.53
102	97¼	Conversion 9¾pc 2001	98		9.92	9.99
113	108¾	Exch. 12pc '99-02	109		10.94	10.37
104	99	Conversion 10pc 2002	100		9.93	9.90
102	97¾	Treas 9¾pc 2002	99¼		9.84	9.86
97	92	Exch. 9pc 2002	94xd		9.57	9.80
126	120¾	Treas. 13¾pc 2000-03	122		11.27	10.37
105¾	100¾	Treas 10pc 2003	101		9.83	9.76
113	107	Treas. 11½pc 2001-04	109		10.55	10.16
106	101¼	Treas. 10pc 2004	102		9.75	9.67

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
45¾	42¾	Consols 4pc	43¾		9.14	–
40½	38¼	War Loan 3½pc‡‡	38xd		9.02	–
70	60¾	Conv. 3½pc '61 Aft.	66¾		5.27	–
41	31	Treas. 3pc '66 Aft.	35		8.44	–
30¼	26¼	Consols 2½pc	27		9.03	–
29½	26¾	Treas. 2½pc	27		9.11	–

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988-92	88	.....	8.24	11.90
206	206	S Rhod 2½pc Non-Assd.	206	.....	–	–
84½	84½	Do. 4½pc 87-92 Assd.	84½xd	.....	5.33	9.33

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99¾	98	N'wide Anglia 8pc 30.5.89	99¾		8.95	13.14
99	98	Do. 9pc 26.6.89	99		9.85	13.07
99	98¾	Do. 10pc 17.7.89	99		10.73	13.04
99	98	Do. 11pc 7.8.89	99		11.11	13.05
99	98	Do. 11pc 29.8.89	99		11.62	13.11
99	99	Do. 12pc 18.9.89	99		12.42	13.09
99	99	Do. 12pc 2.10.89	99		12.36	13.08
99	98	Do 11pc 6.11.89	99xd		11.76	13.12
100	99	Do. 12pc 4.12.89	99		12.37	13.12
100	99	Do. 12pc 2.1.90	99¼		12.84	13.12
100	99	Do. 12pc 29.1.90	99		12.62	13.10
100	99	Do. 12pc 26.2.90	99¾		12.74	13.08
102¼	99¾	Do. 3⅞pcIL Ln 2021	100¼xd	.....	4.38	4.45

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99	95	Agric. Mt. 5pc '59-89	99	.....	5.05	–
47	45	Met. Wtr. 3pc 'B'	46xd	.....	6.52	10.41

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	40	Greek 7pc Ass	40	.....	3.50	‡8.75
45	40	Do. 6pc 28 Stb. Ass.	40xd	.....	3	‡7.50
45	40	Do 4pc Mixed Ass.	40xd	.....	2	‡5.00
80	65	Hung. '24 Ass.	80	.....	2.75	‡3.57
139	132½	Hydro Quebec 15pc 2011.	133		15.00	10.94
128	122	Iceland 14½pc Ln 2016	123xd		14.50	11.60
97¼	94½	Ireland 9¾pc '91-96	94½xd	.....	9.75	10.85

AMERICANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
37¾	26½	Abbott Laboratories‡	37¾xd		$1.20	–	1.9
537p	361p	Allegheny & W 1c	519p	–8	30c	–	3.4
16¼	12	Amax $1	16¼xd		40c	–	1.4
13¾	956p	Amdahl 5c	13¾xd		h10c	–	0.4

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

Henderson Global Strategy Mngmt SA

Henderson Global Strategy Fund	Bid Price	Offer Price	+ or –	Yield Gross
North Am Portfolio	£0.88	0.93	+0.02	–
European Portfolio	£1.21	1.38	.....	–
UK Growth Portfolio	£0.98	1.03	.....	–
Japan Portfolio	£1.32	1.39	.....	–
Pacific Portfolio	£1.23	1.30	+0.01	–
Managed Intl Portfolio	£0.99	1.04	+0.02	–
Dollar Cash Portfolio	$0.9741	0.9741	+0.0002	–
Sterling Csh Portfolio	£1.0990	1.0990	+0.0003	–

Hill Samuel Investment Services Intl (z)

NICS Europe and Income

NM Income & Gwth Fd

NM Schroder Financial

National Mutual Insce

The New Zealand Fund

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
25¼	21⅜	Dana Corp $1	25¼	+½	$1.60	—	3.6
10½	854p	Data General	10⅝	....	—	—	—
34⅝	28½	Dun & Bradstreet $1	34¼	+1	$2.00	—	3.4
37½	30½	Eaton Corpn. 50c	37½	+⅝	h$2.00	—	3.1
11⅛	8⅜	Echlin Inc.	11⅛	+⅛	70c	—	3.7
19⅛	16⅞	FPL Group 1c.	19⅛	+⅛	$2.20	—	6.7
32⅛	27⅝	Ford Motor $1	30¼	+1¼	$3.00	—	5.7
37¼	30⅛	GATX 62½c.	37¼	+⅝	$2.00	—	3.1
32⅝	24⅛	Gen. Elect. 63c	32⅝	+1⅜	$1.64	—	2.9
567p	484p	♦General Host Corp $1	526p	−1	28c	—	3.1
24⅛	18¼	Gillette $1	24⅛	+⅛	96c	—	2.3
820p	616p	Gt. Am First Svgs Bk $1	820p	+25	60c	—	4.3
20⅝	16⅛	Greyhound $1½	20⅝	+⅛	$1.32	—	3.8
11½	847p	Hasbro Inc 50c	11¼	+¼	16c	—	0.8
8½	6	Home Group $1	8⅛		20c	—	1.4
47⅛	32¼	Honeywell $1½	47½	−⅛	$2.10	—	2.6
15⅝	15¼	Houston Inds $	18⅝	+⅛	$2.96	—	9.4
74⅝	63⅛	IBM Corpn $1¼	66⅛	+⅛	$4.84	—	4.1
52p	45p	♦Image Storage/R Sys.1c	47p	....	—	—	—
25⅛	16⅛	Ingersoll-Rand $2	25⅛	+⅛	$1.04	—	2.4
29⅝	22½	Lockheed Crpn. $1	29½	+⅛	$1.60	—	3.3
18⅛	15⅛	Lone Star Inds $1	18½	−⅛	$1.90	—	6.1
21¼	17½	Louisiana Land 15c	21¼	+⅛	$1.00	—	2.7
15⅝	11½	Lowe's 50c.	15¼		48c	—	1.8
21⅛	15⅛	Manuf. Hanover $1	21¼	+¼	$3.28	—	9.1
18⅝	13⅛	Merrill Lynch $1	18⅝	+⅛	$1.00	—	3.1
2253p	1910p	Molex Inc	2105p	+50	3.2c	—	—
23⅝	18¼	Morgan (JP) $2½	23⅝	+¼	$1.66	—	4.1
46¾	36⅛	NYNEX $1	46½	+1¼	$4.36	—	5.4
22¼	18¼	PHH Corp $	22¼	+½	$1.12	—	2.9
253p	220p	♦Pacific Agr $	253p	....	—	—	—
23¾	19	Pacificorp $3¼	23½	+⅛	$2.64	—	6.5
25⅛	16⅞	Pacific Telesis 10c	25½	+⅛	$1.88	—	4.4
20	15¼	Pall Corp 25c.	20	+¼	48c	—	1.4
51½	39⅛	Pennzoil $3 1/3c	51½	−⅛	$3.00	—	3.4
23⅛	17⅛	Premark Intl	23⅛	+¼	60c	—	1.5
36⅝	29½	Quaker Oats $5	36⅝	+⅝	$1.20	—	1.9
26⅞	23⅛	Rep NY Corpn $5	26⅞	+⅛	$1.28	—	2.8
13⅝	11⅛	Rockwell Intl $1	13⅝	..	72c	—	3.1
32½	21⅝	Southwestern Bell $1	32½	+1	$2.60	—	4.7
24⅛	17⅛	Sun Co Inc $1	24⅛	+⅛	$1.80	—	4.3
27⅛	22⅛	TRW Inc 62½c	27⅛	+⅛	$1.72	—	3.7
19⅝	14⅝	TW Services $5	19¼	....	10c	—	0.3
33¼	26¼	Tenneco $5	33¼	+⅛	$3.04	—	5.3
33⅛	26	Texaco $6.25	33⅛	+⅛	♦$3.00	—	5.2
26⅛	21⅝	Texas Instr $1	26⅛	+⅛	72c	—	1.6
75⅛	58⅝	Time Inc $1	75⅛	+2	$1.00	—	0.8
17¼	15⅛	TRINOVA Corp	17½	+⅝	$64c	—	2.2
21⅝	16	USX $1	21⅝	+⅛	$1.40	—	3.8
164p	126p	♦Unilab	155p	....	—	—	—
32	22¼	Utd. Technologies	32	+⅝	$1.60	—	2.9
158p	128p	♦Utilitech Inc.	146p	....	—	—	—
42	31½	US West§	42	+¾	$3.76	—	5.2
31½	22⅝	Waste Management $1	31½	+⅛	48c	—	0.9
18½	13½	Whirlpool $1	18½	+⅛	$1.10	—	3.5
20¼	16⅛	Whitman Corp	20½	+⅜	96c	—	2.7
32¼	28⅛	♦Woolworth $3½	32⅛	+⅛	$1.64	—	3.0

CANADIANS

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
157p	129p	♦ABM Gold Corp §	143p	+2	—	—	—
23⅝p	4½p	♦Abbot Energy Corp.	12p	....	—	—	—
13¼	902p	♦Amer. Barrick Res.	12½	....	—	—	—
3⅛p	2⅛p	♦Amer. Lightwave §	2½p	....	—	—	—
19½p	12½p	♦Armeno.	14p	+¼	—	—	—
318p	94p	♦Asiamerica Hldgs§	318p	+10	—	—	—
33⅛p	18p	♦Augmitto Expln.	19⅛p	+⅛	—	—	—
15⅝	12⅞	Bk. Montreal §	15¼	....	$2.12	—	6.8
908p	655p	Bk. Nova Scot.§	908p	+29	84c	—	4.7
19½	17	BCE §	19⅛	....	$2.44	—	6.4
817p	570p	♦Bow Valley§	817p	+21	♦40c	—	2.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

INSURANCES—Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES—Contd

Miscellaneous

THIRD MARKET

20½	10 Do. Wrnts......... γ	20½	+½
9¼	5 Wilton Group 1p... γ	8½	......

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or *other offer estimate. c Cents. d Dividend rate paid or payable on* part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights Issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	100xd	......
Craig & Rose £1.. γ	720	......
Finlay Pkg. 5p.... γ	91	......
Holt (Jos) 25p..... γ	1313xd	+18

IRISH

Cap. 8½% Ln. 1991	£98	......
9pc Cap Ln. 1996..	£97¼	−¼
Fin. 13% 97/02...	£118	......
Arnotts..................	450	......
Carrol (P.J.)....... γ	158	......
Hall (R. & H.).......	155	......
Helton Hldgs....... γ	78	......
Irish Ropes...........	195	−2

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	48
Amstrad	18
BAT	48
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons.	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen.	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	52
MEPC	50

Oils

Brit Petroleum	21
Do. Int. Certs.	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Central banks halt dollar rise

CO-ORDINATED CENTRAL bank intervention succeeded yesterday in pushing the dollar down from the day's highs to finish with small losses over its close in London on Wednesday.

The US unit rose sharply after a slightly weaker start, on news that the West German Bundesbank had left its key lending rates unchanged at the regular central council meeting. Demand for the dollar was accelerated further after news of a 0.7 per cent increase in US consumer prices in April - at the top end of expectations.

At this point the US Federal Reserve sold dollars, and was quickly followed by intervention from the Bank of England and other central banks in France, Belgium, Spain, Switzerland, Canada, Italy, Austria and the Netherlands.

There was no sign of any intervention by the Bundesbank, but Mr Karl Otto Pöhl, its president, claimed that the strength of the dollar was based largely on the high level of US interest rates. This was seen as a thinly veiled suggestion that rather than European rates going up, US rates should decline. Figures for US consumer prices released yesterday added some weight to this argument because although the dollar rose on the overall 0.7 per cent increase, the underlying rise, excluding food and energy costs, was only 0.2 per cent over March.

The dollar touched a high of DM1.9850 before coming back to finish at DM1.9665, down from DM1.9730 on Wednesday. Against the yen, the US unit moved up to Y139.60 before closing at Y138.65 compared with Y139.25 previously. Elsewhere, it finished at SFr1.7570 from SFr1.7640 and FFr6.6500 against FFr6.6825. On Bank of England figures, the dollar's exchange rate index was unchanged at 71.3.

The dollar continued to lose ground in early New York trading. The Bank of Canada entered the market for a second time to buy yen against the US dollar, and investors adopted a slightly more cautious tone.

Sterling maintained a steady course for most of the day, seemingly unaffected by the dollar's late fluctuations. Activity in the morning was especially subdued ahead of the release of key UK economic data. Unit labour costs for the three months to March rose by 3.1 per cent, while average earnings for the same month were up by 9.25 per cent on a year-to-year basis. Both were in line with market predictions, while a 60,200 drop in April unemployment was double expectations.

The overall picture suggests that inflationary pressures are at best being contained, and the remote prospect of an early cut in UK bank base rates continues to provide sterling with underlying support.

Sterling's exchange rate index finished at 94.4 against 94.3 at the opening and the close on Wednesday. Against the dollar, the pound rose to $1.6185 from $1.6130, but was unchanged in D-Mark terms at DM3.1825. It was also unchanged against the yen and Swiss franc at Y224.50 and SFr2.8450 respectively. Elsewhere it finished at FFr10.7625 compared with FFr10.7800.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May.18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5965	+2.68	+0.94	±1.5344
Danish Krone	7.85212	8.10828	+3.26	+1.52	±1.5404
German D-Mark	2.05853	2.08249	+1.16	-0.58	±1.0981
French Franc	6.90403	7.04611	+2.06	+0.32	±1.3674
Dutch Guilder	2.31943	2.34719	+1.20	-0.54	±1.5012
Irish Punt	0.768411	0.778775	+1.35	-0.39	±1.6684
Italian Lira	1483.58	1516.28	+2.20	+1.17	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

May.18	Latest	Previous Close
£ Spot	1.6095-1.6105	1.6117-1.6127
1 month	0.40-0.39pm	0.42-0.40pm
3 months	1.25-1.23pm	1.30-1.25pm
12 months	4.54-4.44pm	4.68-4.58pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May.18	Previous
8.30 am	94.3	94.6
9.00 am	94.3	94.6
10.00 am	94.2	94.6
11.00 am	94.3	94.6
Noon	94.4	94.6
1.00 pm	94.4	94.6
2.00 pm	93.3	94.5
3.00 pm	94.4	94.4
4.00 pm	94.4	94.3

POUND SPOT- FORWARD AGAINST THE POUND

May.18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6055-1.6200	1.6180-1.6190	0.41-0.38cpm	2.93	1.24-1.20pm	3.02
Canada	1.9235-1.9315	1.9305-1.9315	0.09pm-0.01cdis	0.25	0.32-0.18pm	0.52
Netherlands	3.57¼-3.59¼	3.58¼-3.59¼	1⅝-1½cpm	5.23	4⅝-4⅜pm	5.02
Belgium	66.45-66.85	66.55-66.65	20-18cpm	3.42	71-67pm	4.14
Denmark	12.35¼-12.43	12.42-12.43	4⅛-3⅝orepm	3.74	10⅞-10⅛pm	3.38
Ireland	1.8800-1.1950	1.1890-1.1900	0.40-0.35ppm	5.80	1.05-0.95pm	3.36
W. Germany	3.17¼-3.18½	3.18-3.18½	1⅝-1½pfpm	5.66	4⅜-4¼pm	5.42
Portugal	261.55-264.70	261.80-262.80	2-29cdis	-0.71	5-89dis	-0.72
Spain	198.25-199.45	198.30-198.60	5-20cdis	-0.76	4-14dis	-0.18
Italy	2313¼-2322¼	2316½-2317½	3-parlirepm	0.78	6-4pm	0.86
Norway	11.45½-11.52½	11.51-11.52	2⅛-1⅝orepm	1.95	6-5⅜pm	1.98
France	10.75-10.78½	10.75¾-10.76¾	3⅝-3⅛cpm	3.90	10⅛-9¾pm	3.69
Sweden	10.72¼-10.75¾	10.74½-10.75½	1⅜-1⅛cpm	2.51	4-3½pm	1.40
Japan	223¾-225	224-225	1½-1⅜ypm	7.68	4⅞-4¼pm	7.68
Austria	22.32-22.45	22.34-22.37	9⅞-8⅞gropm	4.86	30¼-27⅝pm	5.17
Switzerland	2.83-2.85	2.84-2.85	1¼-1cpm	4.75	3⅝-3½pm	5.01

Belgian rate is convertible francs. Financial franc 67.05-67.15. Six-month forward dollar 2.44-2.39cpm 12 months 4.50-4.40cpm

CURRENCY RATES

May.18	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.774337	0.653203
U.S Dollar	7	1.26697	1.05166
Canadian $	12.39	1.51061	1.25494
Austrian Sch.	5	17.3283	14.6506
Belgian Franc	7.75	51.5720	43.5965
Danish Krone	7½	9.59223	8.10828
Deutsche Mark	4.50	2.46286	2.08249
Neth.Guilder	5.50	2.77656	2.34719
French Franc	9½	8.34046	7.04611
Italian Lira	13½	1792.89	1516.28
Japanese Yen	2½	174.272	146.601
Norway Krone	8	N/A	7.51252
Spanish Peseta	-	154.412	129.932
Swedish Krona	9½	8.32843	7.00825
Swiss Franc	4.5	2.20453	1.85618
Greek Drach.	20½	209.417	176.742
Irish Punt	-	0.921362	0.778775

*All SDR rates are for May.17

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

May.18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6055-1.6200	1.6180-1.6190	0.41-0.38cpm	2.93	1.24-1.20pm	3.02
Ireland†	1.3475-1.3605	1.3525-1.3535	0.09-0.14cdis	-1.02	0.07-0.17dis	0.35
Canada	1.1910-1.1945	1.1920-1.1930	0.25-0.29cdis	-2.72	0.72-0.78dis	-2.52
Netherlands	2.2110-2.2395	2.2155-2.2165	0.45-0.43cpm	2.38	1.17-1.13pm	2.07
Belgium	41.05-41.55	41.10-41.20	6.00-4.00cpm	1.45	13.00-10.00pm	1.11
Denmark	7.63½-7.73	7.67½-7.68	0.65-0.40orepm	0.82	1.05-0.45pm	0.39
W. Germany	1.9620-1.9850	1.9660-1.9670	0.45-0.42pfpm	2.65	1.24-1.19pm	2.47
Portugal	162.35-162.80	162.35-162.45	42-57cdis	-3.64	130-180dis	-3.79
Spain	122.65-124.00	123.10-123.20	32-42cdis	-3.61	115-125dis	-3.90
Italy	1429-1445	1431¼-1432¼	2.50-3.00liredis	-2.30	8.00-8.50dis	-2.30
Norway	7.08-7.15¼	7.11¾-7.12¼	0.53-0.78oredis	-1.10	1.95-2.25dis	-1.18
France	6.64-6.73	6.64¼-6.65¼	0.58-0.53cpm	1.00	1.22-1.12pm	0.70
Sweden	6.62½-6.68	6.64-6.64½	0.75-0.90oredis	-1.49	2.70-2.95dis	-1.70
Japan	138.50-139.60	138.60-138.70	0.59-0.57ypm	5.01	1.60-1.58pm	4.58
Austria	13.80-13.95¼	13.89½-13.90	2.35-1.85gropm	1.82	7.50-6.00pm	1.95
Switzerland	1.7510-1.7700	1.7565-1.7575	0.33-0.30cpm	2.14	0.92-0.88pm	2.04

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 41.40-41.50.

CURRENCY MOVEMENTS

May.18	Bank of England Index	Morgan** Guaranty Changes %
Sterling	94.4	-16.9
U.S Dollar	71.3	-6.5
Canadian Dollar	103.8	+0.3
Austrian Schilling	106.3	+9.7
Belgian Franc	105.3	-6.4
Danish Krone	102.3	-2.5
Deutsche Mark	111.8	+19.9
Swiss Franc	102.5	+11.4
Guilder	109.4	+12.6
French Franc	98.7	-15.8
Lira	97.5	-19.9
Yen	143.7	+73.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for May.17.

EURO-CURRENCY INTEREST RATES

May.18	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	12-11¾	12¼-12	12⅝-12½	12⅞-12¾	12⅞-12¾	12⅞-12¾
US Dollar	9¾-9⅝	9¾-9⅝	9⅞-9¾	9⅞-9¾	9⅞-9¾	9⅞-9¾
Can. Dollar	12½-12¼	12⅜-12⅛	12¼-12	12¼-12	11⅞-11⅝	11⅞-11⅝
D. Guilder	7-6¾	7-6¾	7¼-7⅛	7½-7⅜	7⅝-7½	7⅝-7½
Sw. Franc	7⅞-7⅝	7¾-7⅝	7⅞-7¾	7⅞-7⅝	7⅞-7¾	7⅞-7⅝
Deutschmark	6⅝-6⅜	6⅝-6½	6⅞-6¾	7⅛-7	7¼-7⅛	7⅜-7¼
Fr. Franc	8½-8¼	8⅞-8⅞	8⅞-8⅝	9-8⅞	9⅛-8⅞	9⅛-9
Italian Lire	11-9	12⅛-11½	12¼-11¾	12¼-11¾	12¼-11¾	12¼-11¾
B. Fr. (Fin)	7⅞-7⅞	8-7⅞	8¼-8⅛	8⅜-8¼	8⅝-8½	8⅝-8½
B. Fr. (Con.)	7⅝-7⅛	8⅛-7⅞	8½-8¼	8⅝-8⅜	8⅞-8½	8⅞-8⅝
Yen	4¾-4⅝	4¾-4⅝	4⅞-4¾	5-4⅞	5⅛-5¼	5⅝-5⅜
D. Krone	8⅝-8½	8¾-8½	9-8¾	9⅜-9⅛	9½-9⅜	9¾-9½
Asian $Sing	9¾-9⅝	9¾-9⅝	9¾-9⅝	9⅝-9½	9⅝-9½	9⅝-9½

Long term Eurodollars: two years 9⅞-9⅝ per cent; three years 9⅞-9⅝ per cent; four years 9⅞-9⅝ per cent; five years 9⅞-9⅝ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

May.18	£	$
Iran	119.20*	72.40*
Korea(Sth)	1069.25-1077.85	663.90-669.30
Kuwait	0.47435-0.47635	0.29420-0.29470
Luxembourg	66.45-66.55	41.10-41.20
Malaysia	4.3295-4.3410	2.6860-2.6880
Mexico	3965.95-3966.85	2458.00-2459.00
N. Zealand	2.6985-2.7035	1.6730-1.6755
Saudi Ar.	6.0425-6.0545	3.7500-3.7510
Singapore	3.1645-3.1735	1.9630-1.9650
S. Af (Cm)	4.3485-4.3675	2.7060-2.7090
S. Af (Fn)	6.5265-6.6615	4.0485-4.1325
Taiwan	41.50-41.60	25.75-25.80
U.A.E.	5.9160-5.9300	3.6725-3.6735

*Selling rate

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
YEN	4.454	7.212	14.18	1000.	47.93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	0.929	1.505	2.958	208.6	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.351	0.569	1.119	78.91	3.782	1	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.279	0.451	0.887	62.57	2.999	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.432	0.699	1.374	96.89	4.644	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.518	0.838	1.648	116.3	5.572	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.502	2.431	4.779	337.1	16.16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Short sterling firmer

SHORT STERLING futures rose on Liffe yesterday in relief that the West German Bundesbank left its key interest rates unchanged at yesterday's council meeting and that UK average earnings in March rose by an unchanged 9.25 per cent.

June short sterling opened little changed at 86.90 and touched a low of 86.84 on fears of disappointing economic data, but rose to finish near the day's high of 86.98 compared with 86.88 on Wednesday.

Long gilt futures for June delivery rose to 95-15 from 95-05, following relief that there was no bad economic news, but trading remained nervous ahead of today's UK retail prices index for April. This is expected to rise 1.4 per cent but would bring the year-on-year inflation rate down to 7.7 per cent from 7.9 per cent.

June US Treasury bonds rose to 91-12 from 91-06 on Liffe, but finished below the day's high of 91-20. News on US consumer prices was rather confusing. The April CPI rose a slightly more than expected 0.7 per cent, but after stripping out rises in food and energy prices the CPI gained only 0.2 per cent, against forecasts of 0.4 per cent.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
92	330	426	0	6
93	230	333	0	13
94	132	245	2	25
95	38	200	8	44
96	7	122	41	102
97	1	56	135	136
98	0	37	234	217

Estimated volume total, Calls 681 Puts 1519
Previous day's open int. Calls 32101 Puts 24610

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
86	524	536	0	20
88	324	356	0	40
90	125	227	1	111
92	3	120	43	204
94	0	40	240	324
96	0	18	440	502
98	0	7	640	655

Estimated volume total, Calls 422 Puts 10
Previous day's open int. Calls 2966 Puts 2507

LIFFE BUND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9100	175	161	0	27
9150	125	124	0	40
9200	77	93	2	59
9250	35	69	10	85
9300	10	48	35	114
9350	2	33	77	149
9400	0	22	125	188

Estimated volume total, Calls 2182 Puts 2028
Previous day's open int. Calls 9358 Puts 9898

MONEY MARKETS

Little real change

THERE WAS little overall change in interest rates yesterday as the West German Bundesbank council left credit policies unchanged. At the regular council meeting the discount rate remained at 4.50 per cent and the Lombard rate at 6.50 per cent. Dealers said it demonstrated the Bundesbank's determination to remain independent and pursue its own monetary course, in spite of the weakness of the D-Mark against the dollar.

UK clearing bank base lending rate 13 per cent from November 25

Major Swiss banks raised their time deposit rates, but there was also evidence that the Swiss National Bank believes its monetary policy is tight enough and does not plan any further moves. A member of the SNB Board said: "We have the impression that the degree of restrictiveness of our monetary policy is appropriate at the moment."

The major Swiss banks increased their customer time deposit rates by ¼ per cent to 6¾ per cent for all maturities from today. The last increase was on May 9, when rates were raised ¼ point to 6½ per cent.

The Bank of France left its money market intervention rate unchanged at 8.25 per cent, but tightened credit conditions when injecting funds into the domestic banking system, via a securities repurchase tender. The central bank accepted bids of FFr40.5bn for the new pact, compared with an expiring agreement of FFr58.2bn.

Rates in London were steady. Three-month sterling interbank was little changed at 12⅞-12$\frac{13}{16}$ per cent, compared with 12⅞-12¾ per cent, showing no reaction to figures on UK average earnings for March.

The Bank of England initially forecast a London money market credit surplus of £100m, but revised this to £50m in the afternoon. The authorities did not operate in the market during the morning, but in the afternoon absorbed surplus funds by selling £50m Treasury bills, due May 24, at rates of 11$\frac{15}{16}$-12 per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £54m, with a rise in the note circulation absorbing £85m and bank balances below target £180m. These factors outweighed Exchequer transactions adding £420m to liquidity.

The Reserve Bank of Australia, confronted with the problem of a weak Australian dollar, said in its monthly bulletin that it moved to discourage any easing in financial conditions during April, regarding hopes that rates might fall as premature.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 53,177

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%
ABN Bank	13
Adam & Company	13
AAB - Allied Arab Bk	13
Allied Irish Bank	13
● Henry Ansbacher	13
ANZ Banking Group	13
Associates Cap Corp	12
Authority Bank	13
● B & C Merchant Bank	13
Bank of Baroda	13
Banco Bilbao Vizcaya	13
Bank Hapoalim	13
Bank Credit & Comm	13
Bank of Cyprus	13
Bank of Ireland	13
Bank of India	13
Bank of Scotland	13
Banque Belge Ltd	13
Barclays Bank	13
Benchmark Bank PLC	13
Berliner Bank AG	13
Brit Bk of Mid East	13
● Brown Shipley	13
Business Mtge Tst	13½
CL Bank Nederland	13
Central Capital	13
● Charterhouse Bank	13
Citibank NA	13
City Merchants Bank	13
Clydesdale Bank	13
Comm. Bk. N. East	13
Co-operative Bank	*13
Coutts & Co	13
Cyprus Popular Bk	13
Dunbar Bank PLC	13
Duncan Lawrie	13
Equatorial Bank plc	13
Exeter Trust Ltd	13½
Financial & Gen. Bank	13
First National Bank Plc.	14
● Robert Fleming & Co.	13
Robert Fraser & Ptnrs.	13½
Girobank	13
● Guinness Mahon	13
HFC Bank plc	13
● Hambros Bank	13
Heritable & Gen Inv Bk	13
● Hill Samuel	§13
C. Hoare & Co.	13
Hongkong & Shangh	13
● Leopold Joseph & Sons	13
Lloyds Bank	13
Meghraj Bank Ltd	13
McDonnell Douglas Bnk	13
Midland Bank	13
Mortgage Express Ltd.	‡13.75
Mount Banking Corp.	13
Nat Bk. of Kuwait	13
Nat Westminster	13
Northern Bank Ltd	13
Norwich Gen. Trust	13
PRIVATbanken Limited	13
Provincial Bank PLC	14
R. Raphael & Sons	13
Roxburghe G'rantee	13½
Royal Bk of Scotland	13
Royal Trust Bank	13
● Smith & Williams Secs.	13
Standard Chartered	13
TSB	13
United Bk of Kuwait	13
United Mizrahi Bank	13
Unity Trust Bank Plc	13
Western Trust	13
Westpac Bank Corp	13
Whiteaway Laidlaw	13½
Yorkshire Bank	13

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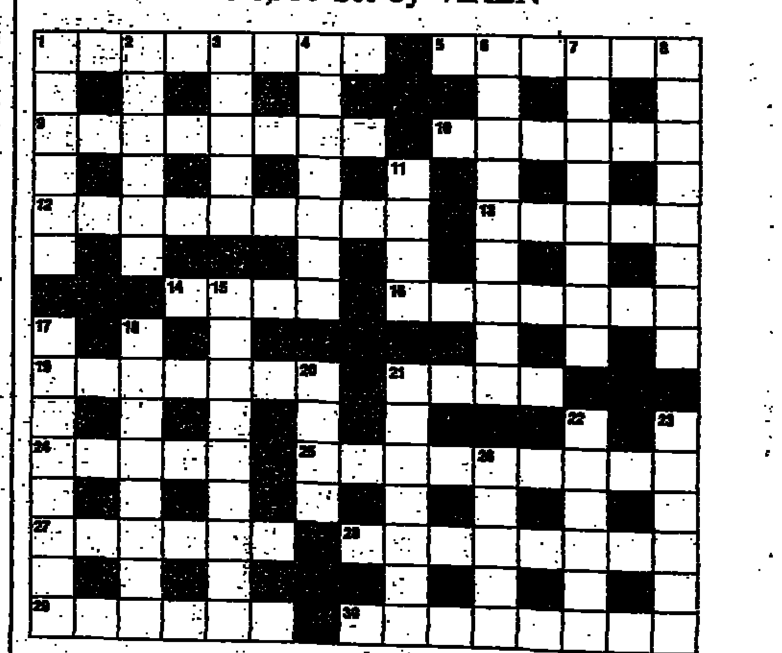
JOTTER PAD

CROSSWORD

No.6,938 Set by VIXEN



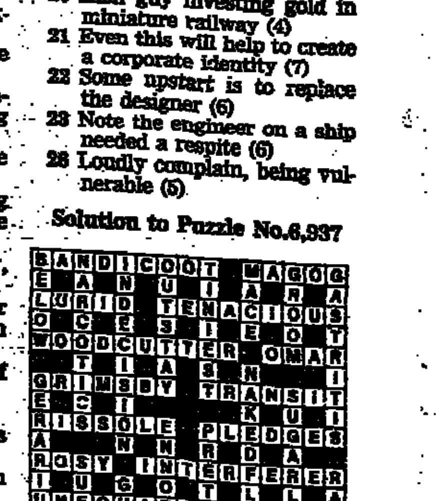
ACROSS

1 Giving firm order, including the French salad (4-4)
5 Drawback concerning sportsman and egghead (6)
9 Told to go in smartly with little thought (8)
10 Leave request before lunchtime (6)
12 Heavenly creations! (9)
13 Deliver a tirade about the first person chuckling (5)
14 Pygmalion's sister got nothing done (4)
16 Seat five hundred as arranged (7)
19 The photographer's breakthrough (7)
21 New suit made in the Hebrides (4)
24 She'll take a little champagne – seldom anything else (5)
25 Check the power increase (9)
27 How characters leaning towards the right may be described (6)
28 Live a lot differently, becoming flighty (8)
29 "Sink me the ship, Master — sink her, split her in twain!" (Tennyson) (6)
30 Does like the stuffing of birds delayed (8)

DOWN

1 Calls for about fifty trains (6)
2 Brilliance can have such an odd result (6)
3 Desert as one article is being written up (5)
4 Lively movement that exercises a left leg or back (7)
6 Curses when running water packs up (9)
7 Bear load in order to appear worthy of admiration (8)
8 The end of the day – flat time (8)
11 Revered figure leading a double life (4)
15 In a deadlock few will be unaffected (9)
17 A quarter saw the testing (8)
18 A man in it may get support (8)
20 Irish guy investing gold in miniature railway (4)
21 Even this will help to create a corporate identity (7)
22 Some upstart is to replace the designer (6)
23 Note the engineer on a ship needed a respite (6)
26 Loudly complain, being vulnerable (5)

Solution to Puzzle No.6,937



WORLD STOCK MARKETS

CANADA

TORONTO

2pm prices May 18

INDICES

NEW YORK DOW JONES

	May 17	May 16	May 15	May 12	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2462.43	2453.45	2463.89	2439.70	2463.89 (15/5)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.64	89.50	89.35	88.99	89.64 (17/5)	87.35 (23/3)	–	–
Transport	1140.69	1139.07	1139.07	1133.73	1144.08 (27/4)	959.95 (3/1)	1144.08 (27/4/89)	12.32 (8/7/32)
Utilities	198.44	196.60	196.36	196.01	198.44 (17/5)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2478.74 (2469.76) Low 2439.70 (2439.88)

STANDARD AND POOR'S	May 17	May 16	May 15	May 12	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	317.48	315.28	316.16	313.84	317.48 (17/5)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	364.90	362.52	363.67	360.88	364.90 (17/5)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	29.41	29.22	29.26	28.98	29.41 (17/5)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	176.98	175.92	176.25	175.13	176.98 (17/5)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	351.84	349.92	350.04	348.30	351.84 (17/5)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	438.52	435.66	436.21	434.83	438.52 (17/5)	378.56 (3/1)	456.28 (26/8/87)	54.87 (31/10/72)

	May 12	May 5	Apr 28	year ago (approx.)
Dow Industrial Div. Yield	3.43	3.51	3.45	3.60
	May 10	May 3	Apr 26	year ago (approx.)
S & P Industrial div. yield	3.12	3.08	3.08	2.94
S & P Indl. P/E ratio	13.54	13.64	13.60	15.35

TRADING ACTIVITY † Volume Millions

	May 17	May 16	May 15
New York	192.783	174.469	180.894
Amex	12.806	11.597	10.916
OTC	169.987	143.457	133.659

NEW YORK	May 17	May 16	May 15
Issues Traded	1,971	1,968	1,994
Rises	958	677	927
Falls	505	791	576
Unchanged	508	500	491
New Highs	197	122	170
New Lows	19	22	14

CANADA

TORONTO	May 17	May 16	May 15	May 12	1989 High	1989 Low
Metals & Minerals	3461.4	3458.3	3486.6	3430.1	3564.9 (6/2)	3207.5 (3/1)
Composite	3669.5	3658.7	3661.2	3638.8	3696.1 (8/2)	3350.5 (6/1)
MONTREAL Portfolio	1889.95	1884.47	1881.25	1862.22	1889.95 (17/5)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Gen Electric	2,566,000	53	+ 1¼
Am T & T	2,164,800	34⅝	+ ¼
McGraw-Hill	2,059,000	69	– 5¼
Repsol S.A.	2,046,000	17	– ¼
Eastman Kodak	1,890,200	43½	+ ½
Texas Utilities	1,862,000	30½	+ ⅝
Prime Computers	1,618,900	15⅞	– 1⅞
IBM	1,806,900	111½	+ ⅛
Occidental Petroleum	1,700,600	28⅜	+ ½
Tosco	1,700,400	5¼	+ ¼

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 18	May 17	May 16	May 15	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1560.8	1561.6	1567.3	1565.8	1565.8 (15/5)	1412.9 (7/4)
All Mining (1/1/80)	698.4	697.2	694.9	699.6	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	315.13	317.86	319.73	(c)	320.48 (12/5)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	(u)	6068.09	6051.12	(c)	6068.09 (17/5)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	307.61	309.18	310.6	(c)	310.64 (16/5)	275.49 (27/2)
FINLAND						
Unitas General (1975)	799.7	799.1	798.6	797.4	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	458.5	461.1	465.9	(c)	470.4 (24/4)	417.9 (4/1)
Ind. Tendance (30/12/88)	108.2	108.6	109.1	(c)	111.3 (24/4)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	566.96	563.41	563.60	(c)	585.28 (13/4)	535.78 (27/2)
Commerzbank (1/12/53)	1682.2	1671.2	1672.5	(c)	1741.9 (13/4)	1595.7 (27/2)
DAX (30/12/87)	1343.98	1345.64	1339.75	(c)	1394.62 (17/4)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	3277.66	3246.41	3289.50	3309.64	3309.64 (15/5)	2706.69 (3/1)
ITALY						
Banca Com. Ital. (1972)	603.78	607.01	602.76	602.50	620.30 (24/4)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	33856.33	33992.45	33926.45	33716.2	34135.24 (8/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2509.72	2523.45	2520.13	2505.69	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	239.4	237.3	238.6	(c)	240.1 (5/5)	208.3 (3/1)
CBS All Shr (End 1983)	186.8	185.2	186.3	(c)	190.6 (27/4)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	645.21	(c)	641.47	(c)	665.61 (19/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1309.71	1310.02	1303.48	1295.40	1310.02 (17/5)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	1431.0	1442.0	1442.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	(u)	2473.0	2486.0	2501.0	2581.0 (28/4)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	305.44	303.99	303.88	(c)	305.44 (18/5)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	3971.7	3950.4	3930.3	(c)	3971.7 (18/5)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	670.1	669.3	674.6	(c)	686.0 (28/4)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	507.8	510.9	509.4	519.0 (17/2)	491.2 (28/3)

♦ Subject to official recalculation.

Base values of all Indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 18 May 1989

	Stocks Traded	Closing Prices	Change on day
Toshiba	42.8m	1,370	+10
KHI	28.2m	1,110	+10
Hitachi Zosen	16.1m	859	-12
Sumitomo Metal	12.2m	912	-13
Nippon Steel	11.4m	907	-18
Keisei Railways	11.2m	2,770	+10
Kawasaki Steel	10.1m	1,040	-30
Tokyo Steel Mfg	9.5m	4,080	+300
Fuji Heavy	8.0m	1,040	uch
Daido Steel	7.1m	1,820	+60

3pm prices May 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
28⅞	21¼	AAR	.44	1.5	20	204	u30⅛	29½	30⅛	+⅝
10⅛	8⅝	ACM n	1.01	11.		85	9	8⅞	9	
11⅛	10¼	ACMIn	1.26a	12.		355	10¾	10⅝	10⅝	−⅛
10⅛	8½	ACM M n	1.01	11.		119	9	8⅞	9	
11½	10⅛	ACM Sc	1.28	12.		1413	10⅞	10⅝	10⅞	+⅛
10⅛	8⅜	ACMSp	1.01	11		466	9	8⅞	8⅞	−⅛
4⅛	2⅝	AMCA	.12e	2.9	28	74	4⅛	4	4⅛	+⅛
8⅛	3½	AM Intl				2643	6	5⅞	6	
23½	18⅛	AM In pf	2	8.7		229	23	22⅞	22⅞	
64⅞	39	AMR			8	1997	64½	63¾	64⅛	
28⅝	25	ANR pf	2.67	11.		496	25⅜	25¼	25⅜	+⅛
9½	2¾	ARX				34	3⅜	3¼	3¼	−⅛
47	35¼	ASA	3a	7.3		466	41¼	40⅞	40⅞	−⅛
21½	14¼	AVX	.24	1.1	10	222	21½	21⅛	21⅛	−⅛
60⅞	42⅞	AbtLab	1.40	2.3	18	3725	60¾	60¼	60½	−⅜
18	15⅜	Abitibi g	1			13	16⅞	16⅞	16⅞	
12	7½	AcmeC	.40	3.8		23	10½	10½	10½	
8	5⅞	AcmeE	.32	4.1	18	6	7⅞	7⅞	7⅞	+⅛
33⅞	20¼	Acusn			27	459	u34⅛	33⅞	34¼	+½
16⅞	14¼	AdaEx	1.82e	12.		167	15⅛	15⅛	15⅛	
15⅞	7⅛	AMD				4285	9½	9⅛	9¼	−⅛
43½	28¾	AMD pf	3	8.9		200	33¾	33½	33¾	+½
9½	6½	Adobe				91	9⅛	9	9⅛	+⅛
18¼	16½	Adob pf	1.84	10.		200	17⅜	17⅜	17⅜	
21¼	19⅞	Adob pf	2.40	12.		3	20½	20½	20½	−⅛
9¾	5⅞	Advest	.12	1.6	18	110	7⅝	7¼	7½	+⅛
54⅞	39¼	AetnLf	2.76	5.2	9	735	53½	53	53	−½
49	24	AflPb s	.22	.5		979	47⅝	47⅛	47¼	−½
20⅛	13⅜	Ahmans	.88	4.3	9	2037	20¼	19⅞	20¼	
4⅝	2⅞	Aileen			18	29	3½	3¼	3¼	−¼
53⅞	37¼	AirPrd	1.20	2.8	10	1104	42¾	41⅞	42⅛	−⅛
28⅞	15½	AirbFrt	.60	2.3	24	49	25⅝	25½	25⅝	−⅛
19⅞	12⅛	Airgas			13	200	u20¼	19⅛	20¼	+¾
20½	17¾	Airlease	2.40	12.	9	9	20⅛	20	20⅛	
9⅝	8½	AlaP dpf	.87	9.4		6	9⅛	9⅛	9⅛	
28¼	16⅝	AlskAir	.20	.7	10	764	27⅞	26⅞	27⅝	+⅝
18¼	14⅝	Albnyln	.30	1.7	12	51	18⅛	18⅛	18⅛	−⅛
41¾	29¼	Alberto	.36	.9	20	54	41⅝	41	41⅝	
34	22⅝	AlbCulA	.36	1.0	17	86	u34½	34	34½	+⅛
46¾	28½	Albtsn	.80	1.8	19	682	46⅛	45½	45⅝	−⅜
36⅞	26¼	Alcan s	1.68	5.0	5	1878	33⅞	33⅝	33⅞	+⅛
24	17½	Alcn wi				18	23	23	23	
30½	23	AlcoStd	.76	2.6	12	511	29½	28⅞	29	−⅛
28⅛	21½	AlexAlx	1	4.0	15	364	25	24⅞	25	−⅛
77	49¾	Alexdr			30	72	67½	67	67½	+1
88	69⅛	AllegCp	1.63t	2.0	11	120	82½	81½	81½	−1
4⅝	1	vjAlgInt				1173	1⅛	1⅛	1⅛	
41⅝	21⅞	AlgLud	1a	2.6	7	345	39¼	37⅝	38⅝	+1¼
40⅝	35⅝	AllgPw	3.08	8.2	10	772	37½	37⅜	37½	+⅛
16⅞	10⅛	AllenG			17	145	16⅛	16	16	+⅛
19⅞	13	Allen pf	1.75	9.7		30	18½	18	18	−½
12⅝	9⅝	AlnCap n	1.40	11	20	14	12⅛	12⅛	12⅛	

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices May 18

OVER-THE-COUNTER

Nasdaq national market, 3pm prices May 18

Stock	Div.		Sales 100s	High	Low	Last	Chng
USWNV			852	39⅛	38⅞	39⅛	-½
UStatn	.40	14	230	23⅞	23¼	23½	+¼
UnTelev		46	85	34½	34¼	34¼	
UnivFr	.16	16	64	26⅞	26⅝	26⅝	-¼
UnvHlt		20	13	9⅝	9⅛	9⅝	
— V—V —							
V Band			1008	7⅞	6⅞	7½	-1
VLSI			1189	8¾	8½	8¾	+¼
VSB Bc	.40		84	12⅞	12⅛	12⅞	
ValidLg		15	9881	4⅞	4⅜	4¾	+¼
ValyB	1.04	10	100	24	23½	24	+½
ValFSL			282	8¼	d 7½	7½	-1
ValNt	1.44	7	14549	25¼	24	25	-¼
Valmnt s	.40	9	34	27¼	26½	26½	
VgrdCl s			703	38	36½	37½	+1¼
Varitm		13	614	16½	15⅞	16¼	-¼
Varlen	.60b	13	3	25	25	25	
Veronx g			119	3 13-16	3⅝	3⅝	-1-16
Vicorp			16	14¼	14¼	14¼	
Vipont		15	200	9	8¾	8¾	-⅛
Viratek			107	12¾	12¼	12½	-½
Vitalnk		22	3983	u19⅛	18⅞	19	+¼
Volvo	1.49e		372	71⅛	70¾	70¾	-⅜
— W—W —							
WD 40	1.60a	16	64	32¾	32¼	32¾	+¼
WTD		9	521	8¾	8½	8¾	
WashEn	1.32	13	335	17⅞	17⅝	17⅝	-¼
WFSL	1.09	9	110	31	30¼	30½	+¼
WshFOr	.30	9	47	10	9⅞	10	
WMSB	.40	8	925	17½	16¾	17½	+½
Wattsind	.16	18	94	31¾	31¼	31⅝	+⅜
WausP	.60b	11	14	39¾	39¼	39½	+¼
Waver	.36	137	3	34¼	34¼	34¼	+¼
Waxmn	s.70	11	138	8½	8⅛	8½	+⅛
Weitek		22	57	13¾	13⅝	13¾	
Werner	.08a	13	6	17¾	17½	17¾	+¼
WstOne	1.20	10	177	34¾	34¼	34¼	-½
WstCap			1637	10⅜	9⅝	10⅜	+⅜
WnWste		17	48	21½	20¾	20¾	-¾
WMicTc		6	192	7½	7¼	7¼	-¼
WstnPb		15	1573	21⅛	20⅝	21⅛	+⅜
WtMrcA			129	26½	26¼	26¼	
Wetmrk		31	687	35¾	35¼	35¾	+½
WmorC		19	29	21¼	20¾	20¾	-½
Weston		23	508	14¼	14⅛	14⅛	-⅛
WespOn			811	10½	10⅛	10⅛	-⅜
Wetra	.56	14	616	26⅞	26⅛	26¼	-⅜
Whelbrt		32	2639	8⅛	8⅛	8¼	-⅛
WhelTch		23	301	26½	26⅛	26¼	
Whickb		21	780	12¼	11⅞	12	-⅛
WileyJ A	1.10	97	7	65	65	65	
Willaml	1.45	7	611	44⅛	44	44⅛	
WilmTr	1.24	11	124	34¾	34¼	34¾	+⅛
WiserO	.40	60	168	16⅛	16	16⅛	-¼
Wolohn	.28	9	58	18	17⅜	18	+¼
WolvEx			6	6¾	6½	6¾	
Worthg	.48	14	807	21⅞	21⅜	21½	-⅛
Wyman	.60	65	852	17⅛	17¼	17½	-⅛
— X—Y—Z —							
XL Dta s		17	313	20	19	20	+½
XOMA			2921	16½	16	16¼	
Xicor		10	586	8⅛	7⅝	8	+⅛
YelowF	.70	11	103	28⅛	27⅞	28¼	+¼
ZionUt	1.44		48	24⅞	24¾	24¾	-⅜
Zycad			1167	4	3⅝	4	+⅜

FINANCIAL TIMES

Friday May 19 1989

AMERICA

Dow rises despite consumer figures

Wall Street

A LARGER-than-expected rise in consumer prices in April did not break the cautious confidence in the equity market yesterday and the Dow Jones Industrial Average registered modest gains to stand at a post-crash high at midsession, *writes Janet Bush in New York.*

At 2 pm, the Dow was 7.15 points higher at 2,469.58. The index registered a post-crash closing high of 2,463.89 on Monday. Volume was active, with 121m shares traded by midsession.

The April Consumer Prices Index (CPI) rose 0.7 per cent compared with the consensus forecast of a 0.6 per cent gain. However, taking out food and energy, the gain was only 0.2 per cent – more moderate than had been anticipated.

Although the figures, with a compounded annual rate of 8.1 per cent in April, gave no reason to suggest that the US Federal Reserve has scope to lower interest rates soon, they did not offer any worse news on the inflation front to a market which seems to be riding on its own internal sense of optimism.

The Dow Jones index dipped only briefly immediately after the CPI figures, but then rebounded and held steady with modest gains throughout the morning session.

Its small rise came in the face of a lower dollar. The US currency had surged to highs of DM1.9880 and Y139.60 after the Bundesbank refrained from raising its Lombard rate, but then came up against central bank intervention which pushed it lower again. The central banks had not been active on Wednesday when the dollar had surged on news of a smaller-than-expected trade deficit in March.

Among featured issues, Avon Products plunged $6¼ to $33⅞ after Amway withdrew its $39-a-share takeover offer, which Avon had turned down. It was not clear whether Amway was serious or whether it had simply been making a tactical move to put pressure on Avon's management.

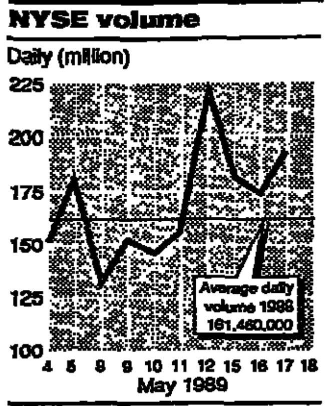
Smith International jumped $2⅛ to $12⅞ after Industrial Equity (Pacific), an investment company controlled by Sir Ron Brierley, the New Zealand financier, said that it wanted to make a friendly bid for the company.

Computer Associates International added $2⅛ to $41⅛ after the company announced a two-for-one stock split and reported a jump in its March quarter net income to 67 cents a share from 43 cents a share a year earlier.

John Fluke Manufacturing, traded on the American Stock Exchange, fell $⅞ to $23⅝ after a Dutch auction self-tender offer closed. The company said it would buy back about 18 per cent of its common shares under the offer at a tentative price of $24.50 a share.

V Band dropped $1 to $7½ in over-the-counter trading after the management group which had offered to acquire the company for $9 a share to $11 a share withdrew its bid.

Dataproducts fell $⅞ to $13⅝. The company said that it would pursue the sale of certain real estate holdings and seek a partner in developing solid ink technology. It also said it would consider a recapitalisation and asset sales as well as the possible sale of the entire company.



Canada

A QUIET morning left Toronto shares marginally higher at midday. The composite index rose 2.4 to 3,671.9 on volume of 13.4m shares.

Spar Aerospace, which said it was cutting dividend payments, lost C$⅛ to C$15⅛.

SOUTH AFRICA

JOHANNESBURG gold shares fell sharply after Wednesday's losses, as a persistently strong dollar threatened to force the bullion price below $370.

Hong Kong resists China crisis

John Elliott examines why the colony's share prices keep rising

HONG KONG'S stock market yesterday shrugged off worries about the growing unrest in Peking – and about the colony's own biggest student march for years which took place on Wednesday night – and pushed the local Hang Seng Index up to one of its highest levels since the 1987 world markets crash.

The index closed at 3,277.66, below Monday's post-crash high of 3,309.64, but nevertheless 31.25 up on a day when demonstrations continued unabated in Peking, Shanghai and elsewhere in China.

There are two basic reasons why Hong Kong has not caught a bad bout of market jitters in recent weeks. One is that the market has been boosted by international factors, most recently improved US trade figures and the strengthening of the US dollar, plus the prospect of a possible easing of pressure on interest rates. International buying has bolstered prices when local nerves have become frayed.

But the more important – and subjective – reason is that there is a significant body of local opinion which believes, however nervously, that in the long term the students' democracy movement is good for Hong Kong, which reverts to Chinese sovereignty in 1997.

"Hong Kong realises that the long term logic of what is happening is good," said Mr Richard Margolis, a managing director of Smith New Court Far East and a former political adviser to the Hong Kong government. "What Hong Kong fears most are irrational decisions in Peking imposing too many controls here. But the balance of advantage for Peking when it is preoccupied with its own problems is to leave Hong Kong alone."

Mr Margolis and others who think like him – including younger Chinese brokers and financial analysts – believe that there could be a long-term movement towards democracy which eventually would help dispel some of Hong Kong's fears about 1997, provided the current unrest is settled without bloodshed or other catastrophe.

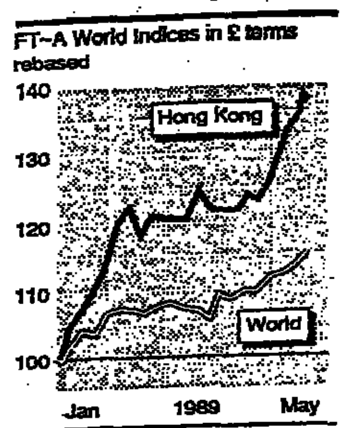
Not everyone is so sanguine and there has been a lot of argument in the market in recent weeks. Hong Kong's economy would only be hit relatively slowly by an upheaval in Peking. But there would be an immediate impact in terms of sentiment and lost confidence if there was violence or harsh repression on the streets of the Chinese capital.

After initial worries in the wake of Hu Yaobang's death last month, fears lessened and the index hovered quietly between 3,000 and 3,200 through April, staying below the February 9 post-crash high of 3,209.

It then took off to a new post-crash record of 3,262 on May 5 after the large-scale May 4 demonstrations had taken place without disaster. Last Monday it went ahead again to another high of 3,309.44, largely reflecting activity on New York and other equity markets at the end of last week. But then Peking's troubles loomed again and the index declined for two days with low daily volumes that have stayed around HK$1bn ($129m) to HK$1.6bn.

"The market had had a good run and this was an excuse to consolidate", said Mr Philip Tose, managing director of Peregrine Capital. "Buyers have been loth to commit themselves and there are some worried sellers. It's been a quiet market rather than panic selling."

Some international fund managers are finding the Singapore and Malasian markets more attractive than Hong Kong, although buying from Europe helped to push the market up late yesterday. There has also been a lot of demand in recent weeks from Japan for blue chips, utilities and bank stocks, though less from Taiwan than earlier in the year.



Domestically there is concern about inflation hovering around 10 per cent and about labour shortages and a brain drain. There is also some, but not universal, worry that the colony's property boom, which has fuelled the stock market for months, might be peaking.

But such fundamentals are not having a primary effect on attitudes, which are governed much more by Peking-induced sentiment.

"A breakout is imminent and is likely to be on the upside going above 3,300," says Mr Chris Chong, research economist with Japes Capel. "We are looking for a final settlement in Peking and if we get that, then the market will surge ahead."

EUROPE

Interest turns to company activity as rate fears fade

CORPORATE news stole the spotlight after fears of higher interest rates waned, *writes Our Markets Staff.*

FRANKFURT briefly welcomed the Bundesbank decision not to raise interest rates, but then turned its attention to the soaring dollar and to a glut of corporate news. One analyst said: "The whole place was bombarded by news every five minutes."

The market started off well, but gradually eased, with the DAX closing 1.66 lower at 1,343.98 after rising 5.8 points at one stage. The midsession FAZ reflected earlier confidence, gaining 3.55 to 566.96.

Turnover was active, with 4.38bn shares exchanged.

One of the most significant corporate moves was the announcement that utility Veba, the second largest stock in the market, was buying about 46 per cent in Feldmühle Nobel, the largest paper company in West Germany. Veba fell DM3.50 to DM287, reaching DM283 in later London trading. Feldmühle was suspended at DM361.50.

Veba also announced a 21 per cent rise in first quarter results, boosted by its oil production interests, and a one-for-10 rights issue priced at DM240. The rights issue seemed to be the main reason for the share price decline.

The surging dollar was not all bad news. "All the company announcements were at the top end of expectations, which derives partly from the strong dollar," one analyst explained.

Among companies reporting results, steel maker Thyssen, which said group net profit was up 28 per cent in the first half, fell 80 pfg to DM245.50.

PKI, the telecommunications company, slumped DM110, or 15.8 per cent, to DM583 after Wednesday's news of stake-building by a subsidiary of Philips of the Netherlands.

Preferred shares in Nixdorf, the computer maker, rose DM13 to DM327. It refused to comment on takeover rumours concerning BMW, which lost DM1 to DM498.

PARIS concentrated on corporate news after interest rate worries dissipated on the Bundesbank's decision not to raise West German interest rates. Share prices rose slightly and volumes increased.

Casino was actively traded, rising to FFr234.90 before falling to FFr227, a drop of FFr2.40 on the day. About 106,000 shares traded after the retailer announced a co-operation agreement with Argyll of the UK and Ahold of the Netherlands. News of its FFr2bn bond issue with warrants was less enthusiastically received, and led to profit-taking on worries over a dilution of share capital, said one dealer.

Sita, the waste disposal company jumped FFr46, or 4 per cent, to FFr1,205 – a new high for the year – on speculation it is in line for substantial contracts from Britain when local councils put their services out to tender in the summer. Sita is about 76 per cent owned by Lyonnaise des Eaux – which has stakes in several UK water companies – and is thought to be well placed to win UK work.

Volume was estimated at FFr2bn, up from FFr1.7bn. The CAC 40 index rose 2.12 to 1,658.02 and the OMF 50 index edged up 0.87 to 476.08.

MADRID jumped to another high for the year, cheered by a domestic inflation rate for April at the bottom end of expectations. The general index rose 1.45, or 0.5 per cent, to 305.44.

Inflation rose by 0.3 per cent last month for a year-on-year climb of 6.7 per cent. That, combined with indications that interest rates are coming down, aided sentiment, said one analyst.

Repsol recouped some of its two-day loss, ending 8 points up at 413 of par. Domestic institutions were reported to be looking for stock in the privatised oil group.

AMSTERDAM was boosted by the Bundesbank decision not to raise interest rates and by news of the US consumer price index for for April. The CBS tendency index gained 1.2 to its day's high of 176.9.

Amev, the third largest Dutch insurer, rose Fl 1.10 to Fl 48.50 after reporting higher first quarter profit. The company placed 5m new ordinary shares at Fl 57 at savings bank VSB Groep, which now has a 15 per cent stake. Ahold, the retailer, rose Fl 2.60 to Fl 110.70 after the news from French retailer Casino.

OSLO broke through the 500-level for the first time on the all-share index, fuelled by interest in shipping stocks. The index rose 6.64 to a record high of 503.70 in active trading worth NKr567.6m.

The shipping index jumped 33.06 to 712.70 with Bergesen B shares rising NKr15 to NKr310 and Kosmos up NKr10 at NKr210. One analyst said increased shipping rates had stimulated buying interest, in spite of weaker oil prices.

Hafslund, the medical and energy group which said it had issued 4.35m new non-voting B shares at NKr183.10 each in the international market, dipped 50 ore to NKr155.50.

STOCKHOLM reached a third consecutive all-time high, boosted by strong first quarter company results. The Affärsvärlden General index climbed 8.3 to 1,158.4.

Asea free B shares rose SKr2 to SKr522 before the announcement of first quarter results after the close. Free B shares in Volvo closed SKr2 down at SKr473 after the company revealed first quarter profits up 48 per cent.

BRUSSELS was mainly higher after an active session, supported by bullish corporate news and the general stability of the economy. The cash market index was unavailable due to a computer failure.

MILAN was beset by political worries and shares ended lower. The Comit index lost 3.23 to 603.78.

Fiat closed L55 higher at L9,180 but eased in later trading to L9,130.

ZURICH inched ahead, aided by stable West German interest rates and by the feeling that the stronger dollar would help the earnings picture for exporters, such as the chemicals groups. The Crédit Suisse index rose 0.7 to 557.

COPENHAGEN weakened on reports that the semi-official Economic Advisory Council spring report on the state of the economy will recommend a suspension of the special tax exemption for pension savings which are made in the form of equity investments, *writes Hilary Barnes in Copenhagen.*

The pension tax, introduced five years ago, limits the real return on pension fund savings to 3½ per cent a year. Any excess return is automatically syphoned off by the Treasury.

ASIA PACIFIC

Currency concern prompts Nikkei decline

Tokyo

CURRENCY worries continued to plague the market yesterday and share prices dropped in very thin trading, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average closed 136.12 down at 33,856.33 after moving from a high of 33,999.22 to a low of 33,768.27. Declines outnumbered advances by 582 to 313 while 173 issues were unchanged.

Volume fell to 626.7m shares from 665.6m on Wednesday.

The Topix index of all listed shares dropped 13.73 to 2,509.72, but in London the ISE/Nikkei index added 0.61 to 1,998.75.

Share prices took a nasty fall in the morning session as the yen slipped towards the Y140 level against the dollar. In later trading, however, intervention by the Bank of Japan in the foreign currency exchange market shored up the yen and helped share prices recover a measure of their earlier losses.

Later buying from index-linked funds also helped support stocks.

Mr George Nimmo, of SBCI Securities, said: "The market was a bit lost for direction and for new ideas." The dominant factor was clearly the yen's fall against the dollar, he noted, but in spite of that, the Nikkei average was not down as much as it could have been.

Many analysts were confident that the yen would be able to resist a further substantial drop. They cited the fact that the gap between interest rates in the US and in Japan was already contracting.

Some also said that the market had already discounted a rise in the official discount rate of more than 0.75 per cent.

Nevertheless, it was still difficult for investors to buy large-capital issues, which are sensitive to the movement of interest rates.

Investors kept to the sidelines before the Bundesbank meeting and the announcement of the US consumer prices index for April, scheduled for last night.

Political worries also kept institutional investors cautious, so volume remained significantly lower than normal. What haphazard buying there was came largely from individual investors seeking quick price movements.

The dollar's strength caused an initial rally in export-related issues, such as blue chip electricals. Toshiba rose to a year's high of Y1,380, up Y20. It was selected as an undervalued issue, on the strength of its impressive earnings performance, and on moves into new fields such as nuclear fusion and linear motor trains.

Toshiba, which topped the most actives list with 42.8m shares traded, closed up Y10 at Y1,370.

Large-capital issues were generally weak as investors preferred not to keep positions in interest rate sensitive issues, but Kawasaki Heavy Industries, second in volume terms with 26.2m shares, rose Y10 to Y1,110. Hitachi Zosen, third most actively traded with 16.1m shares, dropped Y12 to Y859 and Nippon Steel lost Y18 to Y907.

Specialised steel makers surged on a rise in steel material prices.

Konica, the photographic materials maker, at one stage rose Y70 to Y1,210 on news that companies related to a well-known speculator company, Nihon Tochi, had emerged as the company's leading shareholders. Konica finished Y40 up at Y1,180.

In Osaka, large-volume issues came under selling pressure and the OSE average dropped 127.97 to 32,950.76. Turnover was lower, at 65.7m shares against 74.9m traded on Wednesday. Nintendo, the maker of video computer games, lost Y300 to Y10,300.

Roundup

AUSTRALIA trod water as fears grew that the Government would tighten economic policy. The All Ordinaries index eased 0.8 points to 1,560.8.

Turnover was active with 131m shares worth A$270m changing hands.

BHP was strong, gaining 14 cents to A$8.32. Sherwin Pastoral, the livestock and rural property group, was steady at A$1.20 with 22.88m shares traded. There was speculation – confirmed after the close – that Mr Peter Sherwin, the founder, was selling his stake to Mr Robert Holmes à Court, the entrepreneur, who has made a bid for the company.

National Australia rose 2 cents to A$6.70 and Westpac eased 8 cents to A$5.60.

SINGAPORE suffered from profit-taking in moderate activity and shares closed mixed. The Straits Times industrial index eased 0.31 to 1,309.71. Investors were unwilling to take long positions before the holiday weekend.

TAIWAN closed at a year high in record turnover worth T$125.6bn, up from Wednesday's T$110.7bn. The market's rally began on news that Premier Yu Kuo-hwa, who has said he was worried about the stock market overheating, would step down.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MAY 17 1989						TUESDAY MAY 16 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (89)	135.48	−1.4	124.53	118.99	+0.5	4.68	137.43	124.27	118.37	157.12	128.28	125.07
Austria (19)	118.42	−2.2	108.84	121.19	−0.6	2.13	121.05	109.47	121.90	124.16	92.84	88.19
Belgium (63)	130.48	−1.1	119.93	133.05	+0.4	4.09	131.91	119.29	132.66	137.10	128.52	124.11
Canada (125)	137.20	−0.1	126.10	118.47	+0.3	3.34	137.28	124.14	118.14	137.28	124.67	116.12
Denmark (38)	175.99	−1.6	161.76	183.83	−0.1	1.83	178.87	161.75	183.98	181.03	165.35	122.86
Finland (26)	147.29	−0.6	135.38	133.32	−0.6	1.57	148.22	134.03	134.16	159.16	125.81	130.45
France (130)	113.37	−2.2	104.20	118.84	−0.6	3.16	115.92	104.82	119.55	122.79	112.57	87.52
West Germany (100)	80.92	−1.2	74.37	83.00	+0.3	2.42	81.87	74.03	82.72	90.40	80.92	74.40
Hong Kong (49)	137.50	−1.4	126.38	137.23	−1.4	3.93	139.51	126.16	139.25	140.33	111.80	100.31
Ireland (17)	141.30	−1.9	129.87	146.72	−0.4	2.87	144.03	130.24	147.33	151.36	125.00	124.39
Italy (98)	77.10	−1.1	70.87	82.73	+0.5	2.60	77.98	70.51	82.34	86.88	77.10	72.47
Japan (455)	183.54	−1.3	168.70	161.55	+0.1	0.47	185.92	168.13	161.36	200.11	180.30	173.83
Malaysia (36)	183.21	−0.3	168.39	189.77	−0.3	2.51	183.70	166.11	190.42	183.70	143.35	132.21
Mexico (13)	186.47	+1.1	171.39	501.22	+1.7	1.01	184.39	166.74	493.02	186.47	153.32	140.20
Netherland (42)	112.54	−2.1	103.44	114.23	−0.6	4.52	114.94	103.94	114.89	122.22	110.63	103.64
New Zealand (24)	69.68	−1.7	64.05	61.41	−0.7	5.96	70.92	64.13	61.83	76.02	66.84	77.76
Norway (26)	181.46	−1.6	166.78	175.30	+0.0	1.52	184.37	166.72	175.30	198.39	139.92	118.57
Singapore (26)	159.80	−0.3	146.88	145.00	+0.0	1.87	160.35	145.00	145.05	160.35	124.57	112.45
South Africa (60)	133.32	−2.2	122.54	121.46	−1.2	4.31	136.35	123.30	122.91	144.86	115.35	124.73
Spain (43)	147.75	−2.0	135.81	137.90	−0.1	3.62	150.80	136.37	138.06	156.17	143.14	150.25
Sweden (35)	154.94	−1.0	142.41	152.59	+0.4	2.25	156.57	141.58	152.05	162.00	138.45	122.27
Switzerland (57)	69.18	−2.4	63.58	75.65	−0.8	2.45	70.86	64.08	76.26	79.76	69.18	76.37
United Kingdom (314)	144.14	−0.8	132.48	132.48	+0.8	4.32	145.30	131.39	131.39	153.33	134.53	137.55
USA (558)	129.36	+0.7	118.90	129.36	+0.7	3.45	128.50	116.21	128.50	129.36	112.13	102.49
Europe (1008)	115.21	−1.3	105.90	112.70	+0.3	3.60	116.70	105.53	112.35	121.70	114.02	106.84
Nordic (125)	151.18	−1.2	138.96	145.68	+0.1	1.95	153.09	138.44	145.59	155.61	137.95	113.89
Pacific Basin (679)	179.57	−1.3	165.05	158.50	+0.1	0.68	181.91	164.50	158.35	194.72	176.37	169.13
Euro−Pacific (1687)	153.83	−1.3	141.40	140.26	+0.2	1.58	155.84	140.92	140.03	164.22	152.83	144.22
North America (683)	129.74	+0.6	119.25	128.69	+0.6	3.45	128.94	116.60	127.87	129.74	112.79	103.22
Europe Ex. UK (694)	97.36	−1.7	89.49	100.44	−0.1	3.00	99.01	89.53	100.55	105.29	97.36	87.84
Pacific Ex. Japan (224)	131.87	−1.3	121.21	120.01	−0.3	4.21	133.64	120.85	120.37	137.65	123.48	111.34
World Ex. US (1885)	153.07	−1.3	140.70	139.49	+0.2	1.65	155.01	140.18	139.27	162.77	152.04	143.05
World Ex. UK (2129)	143.53	−0.6	131.92	136.38	+0.3	2.03	144.42	130.60	136.02	146.04	138.06	126.44
World Ex. So. Af. (2383)	143.63	−0.6	132.02	136.10	+0.3	2.22	144.54	130.70	135.66	146.65	138.82	127.43
World Ex. Japan (1988)	124.53	−0.2	114.46	122.83	+0.5	3.54	124.72	112.79	122.26	125.08	114.51	105.08
The World Index (2443)	143.56	−0.6	131.96	136.00	+0.3	2.24	144.49	130.66	135.57	146.51	138.83	127.41

Norway closed May 17.
Latest prices were unavailable for this edition.